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# West Europe Report

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15 July 1983

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No. 2174

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## POLICE SEARCH INTENSIFIES FOR ETA SUSPECTS

Madrid ABC in Spanish 8 Jun 83 p 19

[Article by S. Pagola]

[Text] San Sebastian--A large force of National Police troops yesterday made an intensive sweep of several areas near the Loyola section in the approaches to the Guipuzcoa capital searching for two alleged ETA [Basque Fatherland and Liberty Group] members who had succeeded in fleeing only moments before, when they were being asked for identification. Inside the car they were using the police seized two FN type pistols, which are the type usually used by this organization. Late in the evening the police had the area tightly surrounded, and it was possible that both youths could have been arrested.

According to information that was available yesterday, the events began at about 10:20 am. At that time two motor patrol officers of the National Police were driving along a road in a neighborhood near the Loyola Riding Club Society--which belongs to the armed forces--on routine duty. Then they observed a Seat 124 vehicle, blue in color, with San Sebastian license plates, whose two occupants aroused serious suspicions, and therefore they proceeded to ask them for identification.

Once they were outside the automobile, the two young men, aged about 24 or 25, were searched for weapons, with apparently nothing suspicious being discovered. However, when the police officers proceeded to examine their respective identity papers, the two individuals threw themselves into the bushes and escaped, taking advantage of the roughness of the terrain. The National Police officers immediately ordered them to halt, and then fired several shots, which apparently hit one of the youths. He immediately reported the incident to the highest provincial authorities, and within 15 minutes a large contingent of the State Security Forces had been mobilized.

After cordoning off the area, the police began an intensive search, using specially trained dogs for the purpose. However the task of searching was complicated, since it was in an area of rough terrain with thick undergrowth. This area where the two fugitives presumably may be found

extends from the Loyola area--where the above mentioned Riding Club is located--and the army barracks to the Amara area. Within this radius are several health centers and the School of Arts and Letters. At just about 10:45 am the police cordoned off the university area, arresting two students, who later were set free.

Since the day was going by, and there were no positive results, the National Police proceeded to search numerous houses, making use of the appropriate search warrants. In this respect official sources told ABC that the residents had been very cooperative. For example, one of them told the police that only moments before he had seen two youths in the vicinity, one of whom was not wearing a shirt. Later the police were able to confirm the reliability of this clue when they found a shirt with several blood stains among some bushes. A little later, two sport shoes were found, which presumably belonged to one of the fugitives.

The fact that the two patrol officers still had the identify cards of the alleged terrorists in their possession was some help in the investigations, since the police know the identify of both of them. In the morning, inspectors from the General Police Brigade made calls on the families of these youths, to obtain some kind of information about their supposed history.

As ABC was told, the fact that they were armed gives reason to believe that they were preparing some terrorist operation, since otherwise ETA members do not risk carrying weapons, if they take into account the massive police presence. According to other information which we have been able to obtain, one of the youths was dark and wore a beard, while his companion wore glasses and had curly hair.

8131

CSO: 3548/442



## PAPER DISCUSSES SIGNIFICANCE OF COMPROMISE ON ENERGY POLICY

Copenhagen BERLINGSKE TIDENDE in Danish 2 Jun 83 p 8

[Editorial: "Energy Compromise"]

[Text] There is no reason for much excitement about the compromise reached on a number of energy policy issues by the government, the Social Democratic Party and the Radical Liberal Party. As Energy Minister Knud Enggaard commented, it was a question of difficult issues for the government, the reason being that a majority--consisting of the Radical Liberals, the Social Democrats and the Socialist People's Party--for years has determined the energy policy course.

That observation applies not only to natural gas, where the government parties too, not least the energy minister's own party, have a clear responsibility for the fatal decision to start the project in 1979, for example. Now, by changing the legislation, the energy minister will be given greater authority with respect to the gas companies, and, likewise, DONG [Danish Oil and Natural Gas] will be able to set the terms for sales of natural gas to a number of industrial customers, etc.

However, it is difficult to understand how these changes in and of themselves can solve the problems of the natural gas project. The fact is that natural gas is not profitable and, in one way or another, that fact must be dealt with. Giving DONG the authority to determine the prices it wants will not make market development any easier as long as potential customers are reluctant to buy natural gas on those terms. A committee of three experts will evaluate how best to deal with the problems during the summer. Contrary to earlier promises, there should be some kind of required cooperation and forced sale of operations that can conceal the extent of existing problems.

Also included in the energy compromise is the establishment of representation on the Dong board of directors, consisting of politicians and a few experts. At best, this is quite a superfluous construction. At worst, the change might make it even easier for the corporation to continue its political game, in which the majority on the board of directors has been engaged up to now. One hopes the energy minister will recall these facts when he, as the

only shareholder, has to determine the composition of the DONG board of directors.

Likewise, it might be considered risky that DONG, outside the compromise, will be included in every possible concession to search for oil and gas in the North Sea. On the other hand, there is reason to be fairly satisfied with the fact that profits from the oil piped to Fredericia, according to the compromise, can be transferred from the DONG account into the state treasury if DONG's political friends are not able to block something like that in the Finance Committee.

All and all, the energy compromise is probably a work of art. It is an illustration of how a difficult Parliamentary situation can prevent reasonable solutions.

8952

CSO: 3613/129

## CONSORTIUM TO HAVE FREE HAND TO ARRANGE GAS SALES

Copenhagen BERLINGSKE TIDENDE in Danish 3 Jun 83 p 21

[Article by Dan Axel: "Energy Minister Holds Firm On Current Gas Policy: DONG Will Have Free Hand To Sell National Oil Without Any Kind of Interference"]

[Text] The attempt by the Industry Council and the Danish Association of Remote Heating Plants to provide inexpensive natural gas to large customers has failed in part since the government reached a broad compromise with the Social Democrats (S) and Radical Liberal (R) parties.

Although the two organizations can put pressure on Energy Minister Knud Enggaard, who has been given great authority over the entire gas project, it could be "political suicide" and "deadly for the project" should the minister deviate from the principle that gas must be sold at market prices--i.e., varying prices depending upon the kind of energy it replaces.

That was established during the second debate on the two legislative proposals, the result of intense negotiations between the government, S and R.

Moreover, the compromise was broadened, with the approval of both the Socialist People's Party (SF) and the Socialist Left Party (VS), which will vote for a change with respect to DONG [Danish Oil and Natural Gas] and for giving the energy minister greater authority.

## Free Hand

Energy Minister Knud Enggaard will also have to accept DONG's having a free hand to secure customers for the oil which the state-owned corporation is committed to buy from A.P. Moller in the North Sea.

Last fall, the government said no to DONG's plans for cooperation with BP, Texaco and OK Denmark in the distribution of oil. But since DONG is committed to purchase more oil over the next year, it will be necessary to find a way to sell it.

Knud Enggaard, on the other hand, said that before long the government will inform the Parliamentary Energy Committee that the royalty--i.e., tax--

which A.P. Moller owes the state shall be paid not in oil but in cash. This is simply because the government cannot find buyers for any more state oil.

#### Board Representation

The structural change at DONG, with representation on the board of directors, was adopted by the same broad majority--the government parties, S, R, SF and VS--who all felt that this new body would provide an information link with Parliament and the public.

It was also agreed that Energy Minister Enggaard be allowed to insert a new clause in the compromise proposal to the effect that Parliament can debate the issue at length each year when the DONG representatives--through the energy minister--submits a report on the company, i.e., DONG.

#### Gas Exportation

The government yesterday approved the contract between DONG and Ruhrgas, a West German gas company, to export large quantities of natural gas beginning next fall. This is a 20-year contract and means that Denmark has orders for its North Sea gas until the end of the century. The exportation equals one-third of the gas which DONG is committed to purchase from DUC--the Danish Underground Consortium.

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CSO: 3613/129

## CONSORTIUM TO INCREASE STOCK SHARES FOR OIL SEARCH CAPITAL

Copenhagen BERLINGSKE TIDENDE in Danish 3 Jun 83 p 6

[Article by Dan Axel: "Energy Minister is Forced to Increase DONG's Working Capital: 40 Million Kroner for Oil Hunt Preparation"]

[Text] DONG [Danish Oil and Natural Gas], Inc, will increase its stock shares by 40,000,000 kroner as soon as possible, thus enabling the state-owned corporation or a new subsidiary firm to be on equal footing with the international oil companies that will participate in the search for oil in Denmark beginning next year.

However, a new state-owned drilling company under DONG will not escape the enormous cost of future exploratory activities. In the beginning, new private concessionaires will be required to "bear" the state-owned corporation's costs. The 40,000,000 kroner--already budgeted under the Finance Act--will give the drilling company independent status in cooperation with other companies.

The stipulation was made by a Parliamentary majority--the Social Democratic (s), Socialist People's (SF) and Radical (R) parties--which, contrary to the government's wish, wants a minimum of 20 percent DONG participation or that of a new subsidiary--probably DOBAS (Danish Oil Drilling, Inc)--in the search for oil. Only the inclusion of Danish-owned private companies in the consortium will reduce the percentage to 10. However, it will not happen automatically.

And Danish-owned private companies that want to participate in the oil search must independently negotiate an eventual "carry agreement" with other members of the consortium, according to the Parliamentary majority.

## When Oil Flows

Not until the oil starts flowing and Parliament approves can the state-owned drilling company decide whether it wants to remain in the consortium. At that time, members of the consortium no longer have to "carry" the state-owned oil corporation economically.

However, since most often it would be advantageous to remain when the consortium makes the statement that drilling and extraction of oil are commercially feasible--and the DONG subsidiary therefore would benefit from big profits--the energy minister shall be able to levy a special tax on the subsidiary, allowing some of the profits to benefit the state treasury.

Contrary to the energy minister, the Parliamentary majority feels that this can only happen in the event of proven excess profits after the company has paid the hydrocarbon fee. And DONG can be assessed the special tax only after it has been approved by a Parliamentary Finance Committee majority on an annual basis.

#### State within the State

"Of course, we are nervous that this approach will mean DONG and its subsidiaries will become a state within the state, a mastodon difficult to control," said Annelise Godtfredsen, Conservative Party energy spokesperson.

"And it was a complete misunderstanding when Anker Jorgensen during the concluding debate said that, following the last compromise, the government will now be implementing social-democratic energy policy," said Godtfredsen. "It is rather easy to adorn yourself with borrowed feathers after yours are spent. Of course, we have not reached a compromise with the Social Democrats on North Sea oil. On the other hand, we have to accept that the majority wants to do something other than what we do."

In a report from the parliamentary Energy Policy Committee, a minority--the Conservative Party (K), the Liberal Party (V) and the Center Democratic Party (CD)--states it finds it necessary that private Danish companies participate as much as possible in the search for oil. This minority also maintains that DONG or one of its subsidiaries should not represent the state in a consortium.

#### More Research

While the majority--S, SF and R--is actually forcing the energy minister to continue the present energy policy--with heavy state involvement--it also suggests that he spend about 15,000,000 kroner over the next 2 years on special training and research projects in connection with the offshore activity.

According to former Energy Minister Poul Nielson, this money shall be used for courses to train Danish personnel so as to provide special insight into the activity. "The other members of the consortium--most often multinational oil companies--shall not be the only ones to decide what information to disseminate in courses dealing with the offshore cooperation," according to Poul Nielson.

Energy Minister Knud Enggaard must now compile all the terms and stipulations suggested by the Parliamentary majority and fit them into the

extensive advertising campaign, which will begin this summer in a large number of international magazines and trade papers. And time will tell whether there still are 50 interested parties who will bid on a portion of the Danish subsoil.

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## A.P. MOLLER FIRM APPLIES TO BEGIN FIRST KATTEGAT DRILLING

Copenhagen AKTUELT in Danish 2 Jun 83 p 20

[Article by-vagn: "Hunting for Oil in Kattegat"]

[Text] The A.P. Moller firm is now trying to find oil in Kattegat. The firm has applied to the Energy Board for permission to do exploratory drilling in the waters north of Gilleleje. This will be the first drilling in Kattegat.

The fact that A.P. Moller will now spend time, energy and money searching for oil in Kattegat suggests strong possibilities of finding oil.

The decision to drill in Kattegat comes at a time when the firm is actively engaged in the North Sea. The aim is to find as many oil fields as possible before the firm has to return even more concessions to the state. According to a revised agreement, A.P. Moller has exclusive right to areas where the firm has found oil and applied for extraction permits.

## Working Feverishly

Five drilling rigs have been working feverishly for some time in the North Sea. Three of the rigs are engaged in exploratory drilling: Dyvi Epsilon in Ost Rosa field, Dyvi Beta at the T3 site in Nord Arne field and Marsk Explorer, which is about to conclude its exploratory drilling in the Olaf field, located 75 km from Gorm, Denmark's largest production field.

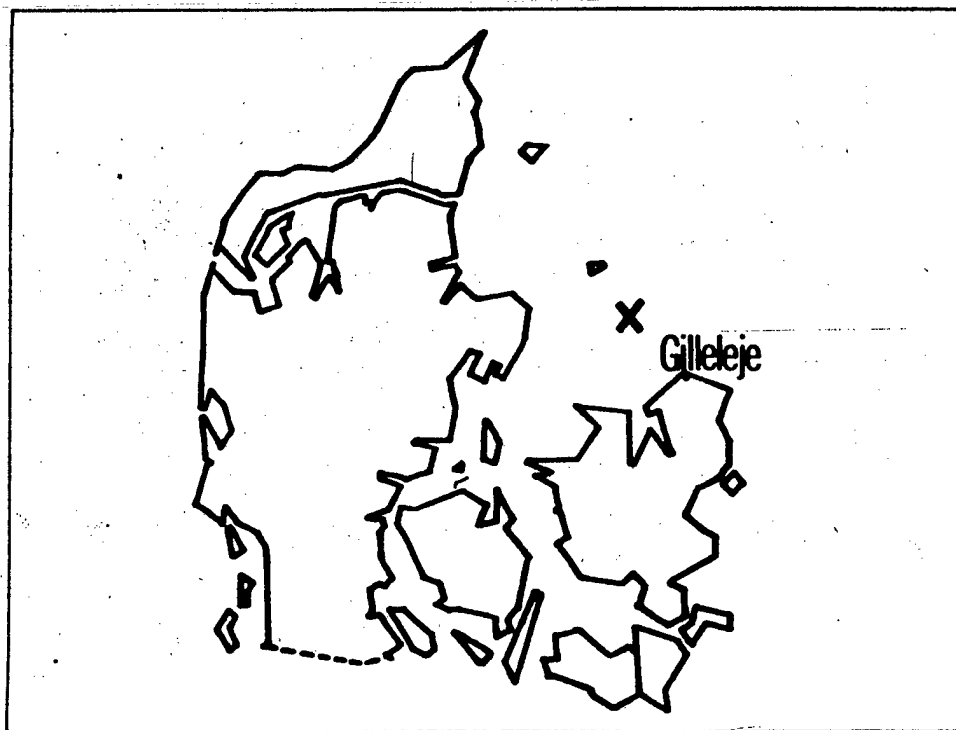
Beyond these three exploratory operations, the Marsk Endeavour rig is drilling a production well at Tyra Vest. Lauritzen's rig, Dan Earl, is doing the same thing at Tyra Ost.

## First in Interior Waters

The exploratory drilling in Kattegat will take place 35 km northwest of Gilleleje, and A.P. Moller's rig, Marsk Explorer, will probably do the drilling, which will be the first in interior Danish waters. In contrast to the North Sea activities, the Danish Underground Consortium (DUC) is not in charge of operations in interior waters. The parties involved here



are A.P. Moller, 57 percent, and Shell, 43 percent. The operator is Dansk Boreselskab, an A.P. Moller firm.



Site of the new Kattegat drilling

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CSO: 3613/129

## CONSORTIUM'S LOSSES FROM NORTH SEA ACTIVITY DISCUSSED

Copenhagen BERLINGSKE TIDENDE in Danish 9 Jun 83 p 8

[Editorial: "Natural Gas Crisis"]

[Text] The energy minister's increased authority to govern the natural gas project does not in itself provide a solution to the many problems connected with the large project. The organization of the project was, indeed, ill-planned from the very beginning and has caused repeated friction. In that connection, the energy minister will now find it easier to intervene.

However, from what we can judge, the central problem with the natural gas project seems to be that it is socio-economically unprofitable. That was obvious--and pointed out by many critics--even before the project legislation was adopted in 1979. The project is being borne by Danish society but, according to the project organization, the time is approaching when the cost will be distributed among taxpayers or buyers of natural gas. That issue was not considered at all in giving the energy minister the added authority.

Sworn natural gas supporters are now firing at the energy minister because he is supposed to do something. The thing to do is simply to sell natural gas, to begin to develop a market, in terms of the natural gas language.

But that is just the critical issue. The fact is that natural gas is not sufficiently attractive to sell in the quantities which DONG is committed to buy from the privately owned DUC [Danish Underground Consortium]. Not even expanding the project to include Central and North Jutland seems to solve that problem. Someone misjudged the market, including the effect of rising energy prices since spring of 1979, which would otherwise be said to increase the socio-economic profitability of natural gas. Even if DONG, after Parliament intervenes, gets its way with respect to prices and other marketing terms on sales to industry and other natural gas users, that will not improve the situation if potential customers do not want to buy natural gas on those terms.

Logically speaking, there are only two or three possibilities of getting out of this serious dilemma. Either the taxpayers must openly support the sale of natural gas by contributing billions, or there must be required

cooperation and forced sale. Finally, increased sales to foreign countries could provide a solution in spite of the fact that billions of kroner are now being invested in a domestic distribution system.

Regardless of which of these solutions--or a combination thereof--is chosen, the scandal is obvious. The people of Denmark were promised a project that was supposed to be very profitable. However, it is showing a loss, which profitable projects normally do not. That loss must now be apportioned, one way or another.

8952

CSO: 3613/129

## INDEPENDENCE PARTY SECRETARY WARNS OF RELIANCE ON USSR OIL.

Reykjavik MORGUNBLADID in Icelandic 2 Jun 83 p 15

[Article by Kjartan Gunnarsson, Independence Party Secretary: "Iceland and Oil"]

[Text] The Association for Western Cooperation and Security held a meeting on Wednesday 18 May with the European Common Market delegates here in Iceland in connection with the Icelandic Chamber of Commerce. Topic of discussion at the meeting was "The European Common Market and the Soviet Union."

Energy and energy sources were some of the problems discussed both in the presentations at the meeting and in the generalized discussions that followed. In terms of energy, there were many questions asked on the great gas pipeline which is now being built from the Soviet Union to Western Europe. The Common Market delegates reported that the gas that will be shipped through the pipeline will amount to only 4 percent of the total energy use of Common Market nations and that even if the gas flow were turned off it would not mean an irreparable loss to the countries involved. Rather, it would be possible to compensate for the loss in other ways.

In connection with these discussions, one person asked the right question in the following terms regarding the statements that have been made to the effect that the gas purchase of the European Common Market nations from the Soviet Union will be only 4 percent of the total energy consumption of these nations: I wish to draw attention to Iceland's energy economy. We Icelanders buy almost all our fuel for autos, ships and aircraft and for home heating from the Soviet Union. With this in mind, I would like to ask whether the European Common Market would advise one of its member nations to be nearly completely dependent on a single nation for its fuel needs?"

The question was answered by one of the two Common Market delegates to the effect that the European Common Market advised its member states to dilute as much as possible the danger of energy dependence and not be dependent in this area on any one nation.

When this answer was given, Thorhallur Asgeirsson, ministerial chief of the Ministry of Trade, stood up and said that he deplored that such erroneous statements were made about Icelandic energy purchases. None of Iceland's aircraft

fuel is from the Soviet Union and only 50 percent of the fuel purchased by Iceland is from the Soviet Union, he said. This remark of the ministerial chief is the subject of this brief review, which will make known, in short order, certain facts on Icelandic oil and benzine purchases.

To begin with, it is admitted that the ministerial chief is quite correct in saying that aviation gas is not purchased from the Soviet Union, and I apologize to those participating in the meeting for this error which fortunately was quickly corrected by the ministerial chief. We shall return to aircraft fuel again below.

According to the statements of the Icelandic Economic Institute, the following kinds and quantities of oil and benzine products were imported into Iceland in 1982:

	Tons
Ordinary benzine	97,693
Aviation gas	1,276
Jet fuel	54,572
Refined jet fuel	2,670
Gasoline	203,810
Fuel oil	141,442
Lubricating oil, grease	6,242
Total	507,705 tons

For those not aware of the fact, it should be mentioned that gasoline is used for home heating and ships. Fuel oil (crude oil) is used for ships and, for example, for capelin liquifications. Ordinary benzine is used by automobiles. The use of the other types is clear from their names.

Of the 507,705 tons of fuel and petroleum imported into Iceland, 328,909 tons or 64-65 percent are from the Soviet Union.

Purchases of jet fuel and aviation gas are not included in oil purchase agreements with the Soviet Union and never have been, among other things, because they are much more delicate products and the quality of the products to be obtained from the Soviet Union is not thought good enough in several respects (it is, for example, not uncommon for foreign jets landing in the Soviet Union not to refuel there but to carry along their own reserves).

Of the 54,000 tons of jet fuel imported into Iceland in 1982, 15-20,000 tons (around 30 percent) were sold to foreign aircraft.

Lubricating oil and grease have always been imported by the oil companies from foreign trading partners. They constitute 1.2 percent of total oil imports.

From the discussion above, it is clear that the most important oil products imported into Iceland, namely benzine for cars and oil for ships and for home heating, 75 percent comes from the Soviet Union or 328,909 tons out of 442,945. Of the remaining 25 percent, most comes from Portugal, but oil purchases from Portugal are relatively new. My assertion that Iceland is dependent upon a single country for its most important oil imports thus stands proven. But some think 75 percent not enough and think that the purchases should be 90 or 100 percent from a single party before they can consider Iceland dependent on a single country in this area. And it is not unexpected that some would think 100 percent insufficient for us to consider ourselves dependent on the Soviet Union in oil purchases.

9857

CSO: 3626/41

## PAPER AGREES RELIANCE ON USSR FOR OIL IMPORTS IS TOO GREAT

Reykjavik MORGUNBLADID in Icelandic 7 Jun 83 p 21

[Editorial: "Oil Trade Stagnation"]

[Text] Around 75 percent, or 328,909 tons out of 442,945 tons during 1982, of the most important petroleum products imported into Iceland, i.e. benzine for automobiles and oil for ships and for home heating, comes from the Soviet Union. The remaining 25 percent comes mostly from Portugal but the oil trade with Portugal has only recently begun. Kjartan Gunnarsson, Independence Party secretary, provides these facts in an article published in MORGUNBLADID last week and calls attention to the policy of the European Association (Common Market) members to spread the oil purchases risk as much as possible and not to be dependent upon a single country in this area. Many remember clearly the disagreement between the United States and the Common Market members on the large gas pipelines from the Soviet Union since it was felt that there was the danger of their becoming dependent on the Soviet Union in this area of energy consumption, even though the amount of gas supplied will amount to only 4 percent of the total energy consumption of the countries.

MORGUNBLADID has more than once called attention to the need to spread the risk in Iceland's oil trade. It is altogether unfortunate to be so dependent on one country as we are in fact, least of all on the Soviet Union. In 1979, when Svavar Gestsson was minister of trade and refused to say more than that he was traveling to Moscow to see to a more favorable oil agreement, an experiment was carried out after much discussion involving imports from the British National Oil Company, BNO. The trade was, however, not economical, but the reactions of some, particularly public officials, because of this created amazement both within and without Iceland.

Tomas Arnason, the previous minister of trade, gave reason to believe that he supported Iceland's participation in the International Energy Institute. His intentions in this area, however, were no more than that, and he did nothing to advance his proposal on the question, which was nonetheless introduced before the Althing. The proposal was clearly a sham on the part of the minister. Those persons most in the know in the matter, however, think membership in the International Energy Institute to be of great value.

In spite of the fact that trade with BNOC went on only for a short time, there is nonetheless good reason to take a look around in the oil market in order to get free from the addiction to Soviet oil. The most intelligent path out of a stagnated oil trade would be for the state to cease to be involved and for the trade to be completely in the hands of the oil companies which would make their own agreements with those parties selling the goods on the most economic terms. Such initiative on the part of the oil companies would be a suitable answer on their part to the leftist propaganda that they are a real burden on the nation and that it would be best to mould them together in one state company through nationalization.

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CSO: 3626/41



## PRIOURET FORESEES OPEN OPPOSITION TO DELORS IN DECEMBER

Paris L'USINE NOUVELLE in French 26 May 83 p 314

[Article by Roger Priouret: "The Difficult December Due Date"]

[Text] Those who bear responsibility in business enterprises are wondering what the coming 18 months will be like. Their medium-range decisions are paralyzed by the uncertainty which surrounds them. One cannot claim to be able to remove that uncertainty. All one can do is to put the foreseeable events and due dates in perspective. Furthermore, with a good chance of being right, one can set forth two basic factors.

The conditions under which those in charge are called upon to manage will see no overwhelming upset. There is every reason to believe that the tax burden will not become worse as it has for so many years, with a paradoxical tendency toward aggravation since the world crisis. For almost 10 years, the government leaders have, in absurd fashion, transferred the oil tax to the companies.

Will the tax burden be reduced as the government has promised? Its commitment pertains to the elimination, spread over 5 years, of the burden of the family allocation quota (9 percent on wages with ceilings). I believe that one can reasonably count on a reduction of one point, but not the two the CNPF [National Council of French Employers] expects. The difficulty lies in knowing to whom to transfer the task of obtaining from social security the resources of which it will be deprived. There are only two possibilities: either another 1 percent will be imposed on taxable income, to the accompaniment of screams from the taxpayers, or the TVA [value added tax] will be increased, with its dangerous effect on the price index.

The other certainty is that demand on the French domestic market will remain low, as it is today. An increase in exports thanks to the favorable development of the German and British economies and the positive effects of the devaluations on our costs will not suffice to convert the current sag into growth. At best, we can hope for a leveling off. But we will not even be able to mark time in this fashion unless attention is paid to innovation and productivity gains. Paralysis is never profitable, and there is the danger that it could be fatal in the event of economic war.

The first "due date" will come in the autumn. Will September be turbulent or calm? The answers are likely to be different for the private or nationalized

competitive sectors and the public sector. In the former case, both the deterioration in union influence and the fear of unemployment will work toward calm. There will be complaints. There already are. An effort will be made to win back from the employers the purchasing power which was lost. The majority will not yield. But will the workers go as far as to strike? I do not believe so.

In the public sector, strikes can be expected. The political authorities may respond to the leaders in charge that the agreements signed last spring provide for catching up with the lost purchasing power at the beginning of 1984. I do not think paralyzing strikes very likely.

The "due date" at the end of the year will be more difficult. On about 1 December, the results of the austerity plan dating from last 25 March will be examined. The question will be raised, on the basis of the figures for the 11 preceding months, as to whether it is likely to achieve its two goals: reducing the rise in prices to 8 percent per year, and a reduction of the foreign trade deficit from 93 to 45 billion. It would seem at the present time that these goals are in all probability beyond reach. Even if the two figures for April are exceptional (for better and for worse), inflation is currently proceeding at a rate of more than 10 percent and the high cost of the dollar is imposing a serious burden on our import costs.

At this time, the opponents of the Delors policy will come to life. The communists will not have to do so, because the hostile positions have already been adopted. Very clearly by Georges Marchais; much more explicit, if possible, by the militants, who, it must be remembered, are in control of the CGT [General Confederation of Labor]. The problem will be situated to the left of the Socialist Party, which has since last March disagreed with the choices made by the minister of economy and finance.

Jacques Delors, and Pierre Mauroy along with him, will not find themselves in an easy position. After having failed to achieve their 1983 goals, they will be faced with the very ambitious goals they themselves set for 1984: a 5 percent price increase and an end to the trade deficit. They will not be able to count on achieving them without making austerity still harsher. How will a president of the republic who, at the beginning of March 1983, advocated withdrawal from the EMS and temporary protectionism react to their proposals? The European loan excludes the possibility of pursuing this policy. Thus it will be necessary to give the austerity policy another turn of the screw. The social and political atmosphere will become more rigid.

In what form will this deterioration be reflected? What is happening this spring gives us some idea. We have little likelihood of seeing a clash between two camps, as the political split would dictate. It is with a form of anarchy that we are threatened, since the French people have an inclination to fall back on their professional organizations and their differential claims.

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CSO: 3519/538

## ECONOMY STILL EXPANDING DESPITE AUSTERITY MEASURES

Paris L'EXPANSION in French 3-16 Jun 83 pp 17-18

[Article by Philippe Lefournier: "Wages Are Increasing Too Fast"]

[Text] Triple unemployment, and you will have a chance of being reelected, like Mrs Thatcher; stabilize it, and you will come up against increasing unpopularity, as is happening to the French government! This paradox is doubtless explained by the fact that the public sees in one case that corrective measures are beginning to bear fruit, while in the second, this remains to be achieved. Thus month after month, activity continues to show astonishing resistance in our country: our barometer, very high in March, still held up in April, since expansion has not yet ceased to have its effects.

One would naturally be glad of this, were it not for the foreign deficit which urgently needs to be reabsorbed. In this connection, the results in April--the best since August 1981--must be viewed with caution. They are not due, as certain commentators on the right claim, to the reduction in purchasing power, but to the correction in the projections for the devaluation which occurred at the end of March, which led to an acceleration in imports and a slowdown in exports. Now the reverse is occurring. Recovery is broadened by the reduction in oil stocks, a blessing when oil must be paid for in dollars worth 7.5 francs each. But these effects will not be recurrent. It would be terribly dangerous to think that all in all, business is improving and that the "success" of the government plan can be glimpsed.

In reality, purchasing power is also showing resistance. The wage increase is reported to have reached 3 percent in the first quarter of 1983, following 4.2 percent in the last quarter of 1982. "This is a dramatic figure," a government adviser says. "It represents a vicious circle : enterprises with margins which have dwindled are lagging where wages are concerned. Purchasing power is much higher than believed, and it will not decline!" There are in fact greater social allocations than were planned (Pierre Beregovoy has not made up his mind to balance the social systems) and also higher wages (the SMIC [Interoccupational Minimum Growth Wage] was increased by 3.1 percent on 1 June). The process of pegging prices is a difficult one.

Now, in contrast with the decline in world inflation, the price rise itself is tending to speed up here. After the 1.3 percent leap in April (which was expected), the index should level off, and then show another upsurge in July. The increase for the first 7 months is likely to exceed 6 percent. On the

Rue de Rivoli, it is believed that the increases were concentrated in the first half of the year, and that the goal of 8 percent for the year remains attainable. The prime minister, who fears a test of strength with the trade unions (in the public sector in particular), wants it achieved "at all costs," even if it means postponing the indispensable increases in public rates or abandoning decontrol of prices, which is vital to industry.

In relying on the 8 percent as its guide, the government may "succeed" in not exceeding it by too much, and, if this is the case, in imposing a 5 percent norm for the wage increases in 1984. At the Matignon Palace, they are saying that "everything depends on it. Nothing will have been done about the underlying inflation until wage increases have been slowed. This is the basic problem." If the government stands firm on this front, the chances of success for the recovery plan will be safeguarded, the more so since by the end of the year the foreign trade results will have improved, if recovery in the countries which are our partners is confirmed and if recession develops here.

For the time being, we are in a state of psychological shock, above all. The contrast between the definite improvement of the situation beyond our frontiers and the darkening clouds here at home is striking. Household consumption of industrial products is shrinking, but so is consumption of services. In May, retail merchants were very pessimistic, which will broaden the effects of the shock. Thus the atmosphere in business is deplorable. The general prospects for production as measured by the INSEE [National Institute of Statistics and Economic Studies] are at their lowest historical point. This points to the use of stocks in hand, which will lead to a production drop. The new (unofficial) OECD [Organization for Economic Cooperation and Development] estimate for France in 1983 is -0.4 percent (+0.8 percent in 1984). Taking the advance made into account, it would therefore be necessary for the production decline to be very serious in order to end this year with negative growth. Like the decline in purchasing power, this is as yet only a possibility. The people are screaming before they begin to hurt, and they are making themselves heard. In reality, a third of the households will bear no financial burden because of the austerity plan, and another third will pay no more than 1 percent on taxable income. The basic difference between this regime and that of Mrs Thatcher is determination.

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## INSEE SUGGESTS WAYS TO SAVE MONEY IN INDUSTRY

Paris LES ECHOS in French 7 Jun 83 p 5

[Text] A study of the deficit categories in the trade balance always leads the government authorities to believe that a step-by-step recovery is within our reach. At the Press Club on Sunday, Mrs Edith Cresson, when asked what the import policy is, said first of all that it is not a question of engaging in protectionism nor establishing safeguard clauses.

But, she added, attention must be paid to overseeing imports. And above all, she indicated, it is important to develop our enterprises in sectors where there is foreign competition. "There are sectors where we will play a role," she stated.

This theme of winning back the domestic market gave profound satisfaction to the majority, the communists most of all. Why not produce in France what we purchase abroad? This is an approach which often overlooks the indispensable specialization. The fact remains, reinvigorating the productive apparatus cannot but be a satisfactory policy. On condition, of course, that we do not expect immediate effects from it.

In any case, the INSEE [National Institute of Statistics and Economic Studies] is making a new contribution to the file by setting forth a whole series of sectors in which action is possible, or in this instance, the two-thirds of the trade deficit reported for "sensitive products" in the industrial sector.

Based on the 1981 figures, the INSEE notes that industry in the broad sense (excluding agriculture, energy, construction, civil engineering, trade and services) produced a trade surplus of 65.8 billion overall. Notwithstanding, however, some products showed a substantial deficit, totaling 98.7 billion francs. Out of this total, the INSEE insists, about 64.7 billion francs could be the focus of activities likely to improve the balance.

#### Savings of 8.7 Billion in the Raw Materials and Products Sector

For tropical farm products (natural rubber), tropical woods, phosphates and metal ores, no solution in the short or medium term can be glimpsed other than the development of substitute products.

For other products such as peanut oil (imported from Belgium, Italy and the Netherlands), tobacco (which comes from these three countries and the United States), canned fruits and vegetables and fruit and vegetable juices, the trade flow could be reorganized to the benefit of the DOM-TOM [Overseas Departments and Territories] and the developing countries, the institute suggests. Finally, there is in this category a whole range of products (vegetables, dressed or undressed timber) for which domestic demand might be developed or strengthened, the INSEE believes.

#### 20.4 Billion From Development of Semimanufactured Products and Intermediary Goods

For this type of product (cigarettes, fertilizers, chocolate, cotton thread, synthetic thread and fibers, paper-cardboard products, precious metals), which depend heavily on imported raw products or materials, the steps which could be taken could lead to savings totaling 20.4 billion French francs.

These steps could take two forms. On the one hand, the development of recovery (the possible savings exceed 7.3 billion for nonferrous products and close to 6 billion for paper-cardboard), which poses organizational more than investment problems. On the other hand, there is the strengthening of the domestic processing industry. But, the INSEE recognizes, such a measure could only make a limited contribution to improving the trade balance.

#### Savings of 35.6 Billion for Manufactured Products

Where there is domestic production, improvement in French competitive capacity would make it possible to save 29.2 billion.

And the INSEE lists a whole series of sectors: plant health products, computer-controlled machine tools, tool making, travel and utilitarian vehicles, watchmaking, electric household appliances, transistors and color television sets, certain kinds of clothing, shoes, furniture, toys and musical instruments, for example.

On the other hand, the INSEE counts on a gain of some 6.4 billion francs through the creation of French demand in sectors in which activity seems difficult or less urgent. These sectors include hardware, farm tractors, hunting and target weapons, slippers, shirts, men's and women's underwear, and jewelry, among others. These activities might be various: investments, reorganization of distribution circuits, research, grouping of enterprises.

For the industries to be created from the ground up, the institute believes that "intervention seems possible or necessary" for such goods as loudspeakers and housings, amplifiers and moving picture cameras, record players, tape and video recorders, as well as office machines.

On the other hand, it "seems difficult or less urgent" to the institute for the sectors producing motorcycles of more than 50 cubic meters, photographic apparatus and lenses. One fact must be noted: there is no single solution to correct the trade flow in sensitive products, according to the INSEE.

"The developing countries and those newly industrialized do not play an important role in our imports except for a very limited number of products... Our competitors are, in order of importance, the EEC countries, the United States and Japan," the institute concludes.

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CSO: 3519/538

## CDF-CHIMIE SIGNS OPERATING CONTRACT WITH STATE

Paris LES ECHOS in French 8 Jun 83 p 7

[Text] The state as stockholder and CDF-Chimie finally signed their operating contract, but this signing was of a basically symbolic nature, since the framework outlined today is that for the year 1983. Next year the contract will be updated "to take the effects of the reorganization of the chemical sector into account."

It is indeed difficult at the present for CDF-Chimie to assess the consequences of the assumption of certain of the chemical assets of the PUK [Pechiney-Ugine-Kuhlmann Company] (Lorilleux-Lefranc, but also some less profitable PCUK sites). One can however express regret that the very short-term horizon of the operating contract prevents the precise calculation of certain of the firm's commitments. It will not show the French taxpayer at what date CDF-Chimie will be back in balance.

The state is generous where CDF-Chimie is concerned, providing to it 1,520,000,000 francs in 1983 (820 million in capital allocations and 700 million in participatory loans). This represents a billion for the traditional CDF-Chimie activities and 520 million for fertilizers (takeover of the GESA [General Fertilizers Company] by the APC [Nitrogens and Chemical Products]).

It should be noted that in the budget of the nationalized companies, 650 million had been allocated for the reorganization of the fertilizer sector: since there seems to be no support for the Cofaz-Sopag portion, the state is saving 130 million.

## Three Lines of Development

The commitments of CDF-Chimie, on the other hand, are merely outlined. The return to balance is of course the main goal for this firm, which has been in the red for several years (losses of more than 1.2 billion francs in 1982). But for lack of a plan covering several years, that date is thus not indicated in the operating contract. The directors of CDF-Chimie had spoken of 1986 as a target date, a prospect which does not exactly delight the public authorities.

Overall, CDF-Chimie undertakes "to implement the measures essential for a return to competitive capacity." This means rationalizing production, but



also the reduction of personnel (accompanied by "an exemplary training and reconversion effort"). The first target contemplated is the fertilizer sector, in which connection CDF-Chimie has announced the elimination of nearly 1,000 jobs. Other reductions will perhaps be required: they will depend on the negotiations on gas prices and Dutch competition.

Another sector to be reorganized is paints, in which the production tools are still scattered among eight plants. In the oil chemical sector, the basic rationalization has been carried out (shutdown of the Lillebonne capacity for the production of 100,000 tons of low-density polyethylene, at the beginning of 1982) and the projects call for the commissioning of a linear polyethylene unit at Dunkirk at the end of the year.

The operating contract thus confirms the three directions to be pursued by CDF-Chimie: oil chemistry (5 billion CA for two production lines, ethylene and styrene), fertilizers (6 billion francs, with the GESA), chemical specialties (2 billion for paints and inks, 4 billion for acrylics, adhesives, glues, etc.).

Finally, the contract places emphasis on the foreign trade balance. This means that CDF-Chimie should develop its trade network abroad. But it must also reduce the French energy bill by replacing oil products with coal as much as possible (in particular at Carling).

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CSO: 3519/538

## PAPER BACKS NEW GOVERNMENT ON AUSTERITY POLICY

Reykjavik MORGUNBLADID in Icelandic 14 Jun 83 p 3

[Editorial: "Minister on the Right Course"]

[Text] We welcome statements of Albert Gudmunsson, minister of finance, to the effect that his objective is to rid the state of various operations it now handles that are better suited for private enterprise. It is absurd to have the state involved in business operations, generally at the taxpayers' cost, where service and competition on behalf of private individuals, corporations and cooperatives already exist. Actually, the taxpayers have the right to have an exhaustive list be published over state-run businesses of any kind, operational outcomes and what such institutions cost the public in subsidies or losses.

As an example of a state-run firm in a field where there is enough service and competition one could mention the State Travel Bureau. It does not seem that it would in any way limit the service to the public to abolish this operation. Furthermore, it is absurd to obligate public institutions which are involved in foreign travel to deal with a state-run travel office. The taxpayers, who end up paying for it all, demand that the travel offices that offer the best terms, as in other fields, get the business. The private enterprises will then return a portion of the turnover to the state and local municipalities.

In connection with this people unavoidably are reminded of the definite legal provisions (law number 63/1970) about the organization of public projects which prescribe as its main rule that public projects be contracted out. There is a considerable lack of enforcing the main rule within various public institutions, such as the Port Authority Institute, the Civil Aviation Administration and the Public Roads Administration. Greatly increased contracting-out of public projects would not just save the taxpayers some money. Competition leads everywhere to technical innovations progress and growth in economic life. Contractors also return a portion of the cost in taxes.

It is also disputable whether and when to risk the taxpayers money in state ownership in risky business. Those who maintained at the time that we should not own a share in the Iceland Alloys, Ltd. were definitely correct; at least not to begin with when it is taking roots and getting over the beginning

difficulties but take what is ours in energy prices and taxes. The plant has suffered large losses during the last 2 years which were mainly caused by the low production prices. The plant, however, pays equally low energy prices as the Aluminum Plant and the State Fertilizer Plant--and unavoidably the prices must be considerably increased to all these parties. The Iceland Alloy plant is an especially strong candidate for the target the new minister of finance has set, namely to sell the state's shares in certain firms. Our policy in heavy industry matters should be at this time to reap the rewards in this area and let foreign investors take the risks.--The Norwegians built up their heavy industry with foreign investments and gradually the industry was taken over by the Norwegians during a long adjustment period.

There is no doubt that it is a correct policy the minister of finance is pursuing to get the state out of running businesses in fields where there is enough service and competition available. In fact, the state should not be involved in business operations where private enterprise is able and willing to operate. It is also very commendable that the minister of finance announces the abolishing of special fees for business and office space. That--and the lowering of income tax in 1983--is the beginning of living up to the promises made by the Independence Party concerning the abolition of the additional taxes which came about during the terms of both leftist governments from 1978-1983.

The government has, to be sure, put a heavy burden on the public with its economic measures which, however, are good indicators. It is worth a lot of trouble to get the inflation down, to create stability in economic life, to prevent stoppage of the basic industries and to prevent otherwise imminent unemployment. But the households in the country should not have to carry the cost of the economic improvement alone. More is needed. The belt the public has to tighten will also have to cover the state economy. The shortest and safest way for the government to obtain credibility and support of the broadest section of the people in the country, is to go briskly to work on restraint, efficiency and savings in that area. The minister of finance has already rolled up his sleeves his co-ministers. Then the people in the country will definitely put in their effort.

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## STATE DEBT WITH CENTRAL BANK HAS TRIPLED IN ONE YEAR

Reykjavik MORGUNBLADID in Icelandic 15 Jun 83 p 2

[Article: "Estimated 860-million-krona deficit"]

[Text] "The condition of the Treasury is very disappointing for me as I take stock of it now. I expected that it was in fact much better than it is." So said Albert Gudmundsson, minister of finance, when MORGUNBLADID asked his views on the results of a Treasury audit that were announced a meeting of the government yesterday morning and released to the mass media the same day. It emerged from the audit, among other things, that in spite of the economic measures of the new government, the prospects are for a deficit this year that could amount to as much as 860 million kronas if additional measures are not taken. On the other hand, the 1983 budget foresaw a surplus of 17 million kronas.

According to the audit statement, prospects were for a deficit of 1,100 million kronas as things stood at the time of the change of government. The influence of the economic measures of 27 May has thus resulted in a decrease of the deficit by 240 million in spite of the fact that a 405-million-krona cut in the deficit was anticipated from the restraint measures. Despite the measures, however, there is still a "hole" in the Treasury of nearly 860 million kronas.

It is stated in the audit statement, among other things, that the great changes that Treasury estimates now foresee in terms of the Treasury position during the year vis-a-vis budget estimates derive, moreover, from a much more rapid rate of inflation than calculated into the budget at the time that it was drawn up and a general contraction of the Icelandic economy. A basis of calculation of the budget was that prices would increase by 42 percent between the years 1982 and 1983. However, according to an estimate of the Icelandic Economic Institute, current calculations are that the price changes between the years will be around 87 percent, and that estimate takes into consideration the economic measures of the present government. Without these measures price changes between the years 1982 and 1983 would be 104 percent.

During the period January-May 1983 the debts of the Treasury with the Icelandic Central Bank grew considerably and amounted to 1,121 million kronas at the end of May. The Treasury debt was 368 million kronas at the end of the same month in 1982 so that the Treasury debt has tripled since then. It also emerges from the statement that the debts of the Central Bank were highest last 13 May or nearly 1,582 million kronas.

The tax collection income of the Treasury amounted to 5.1 billion kronas during the first 5 months of the year. Expenditures amounted to 5.8 billion kronas. Loan estimates were exceeded by 400 million kronas and the deficit was thus 1.1 billion kronas, as noted above. According to the tax collection figures for the first 5 months of the year, the total income of the Treasury was up 55 percent over the same period last year. The increase in the cost of living index during the same period was calculated to have been in the vicinity of 68-70 percent. Thus the income of the treasury has in fact, declined considerably, or by nearly 10 percent. It emerges from the figures that the disposable income of households has decreased greatly compared with the previous year. In terms of individual categories, it may be mentioned that import duties increased by only 33 percent compared with the same period last year. Likewise, income from auto imports has dropped by nearly half. On the other hand, income from sales taxes has increased by nearly 60 percent and that amounts to a nearly 6 percent decline in turnover between the years.

In terms of the budget, Treasury borrowings for 1983 were estimated at 525 million kronas, with all borrowing being domestic. Prospects are now that it will only be possible to borrow 390 million kronas from domestic sources. This fact increases the financing difficulties of the Treasury by 135 million kronas this year. It is stated in the conclusion of the statement of the Ministry of Finance on the condition of the Treasury, among other things, that "the Provisional Law on Financial Measures to Protect Living Conditions" of this 27 May empowered the minister of finance to decrease state expenditures by 300 million kronas below what was foreseen in the 1983 budget. Inasmuch as the bases of calculation of the 1983 budget were far below the actual price evolution, it is clear that it will be difficult to carry out effective measures to decrease state expenditures during what remains of the year. Efforts are now under way in the Ministry of Finance to produce proposals on measures to reduce the large deficit foreseen for the A Section of the Treasury this year if things continue unchanged.

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## TEN-POINT PROPOSAL FOR ECONOMIC RECOVERY

Rome LA REPUBBLICA in Italian 10 May 83 pp 2-5

[Transcript of a 5-hour forum sponsored by LA REPUBBLICA and comprised of four leading economists facing REPUBBLICA editors and writers, in Rome, date not given]

[Text] Economists Guido Carli, Mario Monti, Giorgio Ruffolo, and Luigi Spaventa talked for 5 hours with REPUBBLICA staffers. When the downward spiral began, bringing inflation, unemployment, and a halt to growth. Levels of responsibility for government and political parties. Analysis of a gridlocked system, and strong medicine to get it moving again.

Four eminent economists: Guido Carli, Mario Monti, Giorgio Ruffolo, and Luigi Spaventa, squared off in a confrontation lasting 5 hours in our editorial offices. The issue was the economic and financial crisis with which Italy has been struggling for the past several years, and which has taken on special importance in this phase of the election campaign. Listening, and asking questions, was a group of this newspaper's editors and reporters, who sometimes took exception to the answers they got, as well as raising issues they thought had been overlooked.

REPUBBLICA is pleased to bring its readers the verbatim transcript of this important debate, as a contribution to their grasp of the basic facts of the situation and of corrective measures to cure the present ills besetting our economy and set it on the road to recovery.

SCALFARI: I shall open our discussion by asking our guests three questions: 1. What is the biggest ailment afflicting our economy? 2. Which of its several maladies demands to be dealt with first? 3. At what point in time did Italy's economic decline set in? I am aware that for people like you, who are accustomed to economic analysis and to studying the interdependence that pervades the various phenomena involved, this sort of approach may appear —

if not superficial and frivolous -- sketchy at best. And yet I hope that it will get us started on the debate with the twin virtues of clarity and practicality. I shall call on Guido Carli to give us his answers to these questions first, and, after he has done so, the discussion will continue freely, and each of you will feel free to join in when he wishes.

CARLI: First of all, let me state a premise: we must not think that Italy's is the only sick economy, nor yet that its ailments are wholly different in kind from those besetting the other industrial nations. The industrial world is far from young, and it has just gone through a period, which I would bracket from the beginning of the Fifties to the end of the Seventies, during which the real income steadily increased while social spending rose to a disproportionate degree. As a consequence the ruling class based its credibility on that growth, which at the time seemed destined to go on forever. I would add that that same ruling class claimed full credit for the growth-rate.

20 Years of Growth are Over

SCALFARI: And that is not the case?

CARLI: It was true in part, perhaps in only a small part. A growth of those proportions and of that length -- which prevailed throughout the industrial world for almost 2 decades, was due to a multiplicity of factors in play simultaneously, beginning with the stability of the monetary system and the low cost of raw materials, especially those of energy.

SCALFARI: Dr Carli: Do you think that period must be considered at an end?

CARLI: Absolutely over and done with.

SCALFARI: May I ask you why?

CARLI: There is more than one single reason. The crisis in the international monetary system, which broke out in 1971, is still growing and spreading. The price of oil and of all energy sources. The "food crisis" that affects several major areas of the world. The tumultuous -- sometimes even chaotic -- nature of development, with its peaks and valleys of alarming imbalance. And hence the emergence or the heightened intensity of economic and social dichotomy.

FAUSTO DE LUCA: Would you cite some practical examples? Are you thinking of the disparity between North and South?

CARLI: That is certainly one of the typical instances in Italy's case. There are others. Take Canada, where the English-speaking ethnic group coexists with the French-speaking. Or Belgium, split between the Flemish and the Walloons.

DE LUCA: Is this question relevant to our discussion here?

CARLI: Considerably. In dual societies any economic and social intervention by the state in a given area inevitably tends to spread to others, with effects ranging from dispersal of resources to declining return on investments which can in some cases assume frightening proportions.

SCALFARI: Have these ills that beset the economies of industrial nations had a more massive impact on ours?

CARLI: Far greater. Because of the greater fragility of our economy, because of its markedly dualistic nature, because of the very scant availability of raw materials and, above all, because of the dubious nature of the remedies that have been tried at one time and another to cure the disease.

MIRIAM MAFAI: What do you mean when you talk of dubious remedies? Can you be more specific, Dr Carli?

CARLI: I refer you, once again, to what has happened in Europe. And I shall start with a glance around the European countries which may be called geographically peripheral: Greece, Sweden, and Spain. As they faced inflationary disaster, all three of these countries, quite distant from each other and with highly disparate social conditions, the socialist governments of all three were forced to adopt policies in which I descry a disavowal of the principles to which these parties, as a rule, subscribe. Sooner or later, reluctantly or not, those parties have been constrained to adopt what are ordinarily referred to as restrictive policies. Let's move now to the heart of our continent. In Germany, the conflict between those who advocated policies that would reduce the deficit and those who were hesitant about applying them (let's not forget that the issue at stake was a billion Deutschmarks) ended in the dissolution of Parliament and the exclusion of the Social Democrat Party from the cabinet. Similar phenomena have occurred in Belgium, The Netherlands, and Denmark. In France, particularly since the exchange-rate adjustment which took place in recent weeks, the economic strategy has changed radically. In short, heterogeneous coalition government have been abandoned everywhere, and the hold-the-line approach to containing deficits is applied with a stronger hand across the board.

GIORGIO ROSSI: Are you telling us that Italy ought to take the same tack? Do you mean to say that our "worst illness" is rooted in government coalitions that are naturally prone to paralysis and cannot manage to limit the damage of inflation?

CARLI: Just look at the facts. I am looking at what happened in 1982. It was said, for the record, and the government solemnly promised before Parliament, that the funding requirement, the overall need for domestic credit, would be 73 trillion lire, of



which 43 trillion would go to servicing the deficit and 30 trillion to financing the economy. Look at the bottom line to see what happened: total internal credit shot to 96 trillion, 66 trillion of which was used to service the deficit and 30 trillion to support the economy. And all this transpired even as the authorities were swearing the most sacred oaths to the effect that there would have to be a policy of maximum austerity and while on all sides we heard loud lamentations about the pitiless monetary squeeze. I ask you now: can you really talk about a monetary squeeze, while you are shifting from a planned magnitude of 73 trillion lire to real expenditures of 96 trillion in debt service?

MARIO MONTI: What is your conclusion on this point?

CARLI: All right: I am convinced that the so-called divorce between the Banca d'Italia and the Treasury is a sound move, in the sense that the Bank must have a broader scope for its own initiative in settling the currency base. This divorce, however, is a means: it is not an end in itself. The objective is the one that is periodically set by Parliament and by the government. Given a target of -- let's say -- 13 percent, the Bank will tune the monetary base to achieve it. Well, in 1982, the target was pointed out, the Treasury failed to achieve it because its own deficit rose from 43 to 66 trillion lire, the Bank allowed domestic borrowing to exceed the statutory limit, and underwrote all of the Treasury's requirements. I conclude from this that the policy actually implemented was certainly not an austere one, but rather an easy-going one; but any other policy would have been impracticable.

SCALFARI: Why was that, in your view?

CARLI: I've already told you: mish-mash governments, unable to pursue and implement, with firmness and continuity, the very objectives they had set themselves.

SCALFARI: If I understand you correctly, Dr Carli, you see our underlying ailment as political in nature.

CARLI: That is exactly what I think.

SCALFARI: Might I ask what Ruffolo thinks about all this? In a way, Carli has called you onto the carpet.

RUFFOLO: I hadn't noticed. Why?

SCALFARO: If it is true that our underlying ailment is heterogeneous governments, it seems obvious that Carli is laying the blame for what he calls the "dubious remedies" we have been talking about up to now on the Socialist Party, of which you are the authoritative spokesman.

RUFFOLO: Here each of us represents only himself, and I don't at all feel any need to defend myself. Furthermore, I too agree that our "worst ailment" is political in nature. But not, as Carli says, because of heterogeneity in our governments, much less in the Socialist Party. There have been, in our country's recent history, cases of one-party governments, but the one party that manned them was generally torn by internecine factional strife that paralyzed them to a far greater degree than anything we have seen in the past 2 or 3 years.

SPAVENTA: And, on the other hand, there have been even more heterogeneous majorities in Parliament who managed to pursue far more rigorous economic policies.

MAFAI: Which majority are you talking about?

SPAVENTA: In 1976 and 1977, in the days of the national solidarity majority, which was certainly a hodge-podge if ever there was one, we had a very rigorous austerity policy, which affected public finances as well as labor costs, making it possible to achieve the real readjustment our economy critically needed in the wake of the first round of oil price hikes.

CARLI: The Communist Party paid the price for that in the 1979 elections, and in any case that majority fell in 1978 precisely because of the austerity policy it had embraced.

SPAVENTA: That policy lasted a good 2 years, Dr Carli, and it did a good job of containing inflation.

CARLI: I haven't forgotten that at all. I'm merely saying that that particular majority was subsequently dissolved.

RUFFOLO: I've been asked which is our worst problem and which problem must be solved first. Here is my answer. Our worst problem is unemployment; the one we have to deal with first is inflation.

#### Governments Tacking Between Rocks and Shoals

SANDRO VIOLA: Isn't there a contradiction between those two answers?

RUFFOLO: No. We have to fight inflation so we can bring down unemployment. Unfortunately, we haven't been doing that. We have yet to find a way to make the real adjustment to the economy necessitated by the monetary crisis of 1971 and by the rising price of oil. Public finance has become the seat of ungovernability, public spending is completely out of hand, the tax structure is still riddled with inequity, and our monetary policies

have been switching unpredictably for years between the brakes and the accelerator, thereby heating up the whole system. There is one accurate, numerical index which can be used to assess this situation. I shall call it the discomfort index, and you arrive at it by adding the inflation rate to the unemployment rate. Well, when you do this, the number you come up with for Italy has for years been in the neighborhood of 30, while the other industrial countries at their worst have a reading of around 20, and at their best a level below 10. If you're looking for a figure that will give you our fever reading, a diagnosis of our disease, there you have it.

VIOLO: You say that the tax laws strike blindly. But haven't there been efforts in recent years to improve the system, make it less cumbersome, and achieve greater tax fairness, as well as crack down on evasion?

RUFFOLO: Efforts, yes, and good results, yes, insofar as concerns the overall tax burden: but that burden is unfairly distributed: you have part of the people paying their taxes while the rest of the people pay none at all. We have reached a level of inequity that can no longer be tolerated. Getting back to the discomfort index, and to what it shows, I should say that the glory days of affluence are over, and we have moved into a zero-sum situation. This, Dr Carli, is what dooms all governments, be they coalition governments or not.

CARLI: You will grant that the coalition cabinets or otherwise patchwork governments are more prone to fall than the others.

RUFFOLO: I will concede that, yes. And I find that in seas as stormy as these we do not see strong governments emerging, but weak ones, governments that float, that tack between rocks and shoals, that approach issues piecemeal. Let's face it: these are the typical features of the times we live in.

DE LUCA: In other words, we should arrive at a deeply pessimistic conclusion, to wit: that the existence of a democratic government is incompatible with managing our economic problems.

RUFFOLO: There are those who arrive at that conclusion. The soul of monetarist policy is this: profound skepticism as to the likelihood that advanced industrial societies can, by themselves, through the democratic compromise, find a solution to their problems. Hence the need for automatic machinery that is based on power relationships and on a certain dosage of social inequality. Even the famous "Trilateral Commission" bases its philosophy on much the same sort of premises. Now I ask you: Can we take that kind of an answer? Do we respond with repression of the democratic question, or do we seek for mechanisms and institutions that work through consensus?

SCALFARI: In any case, you, Mr Ruffolo, said that we have to begin treating our inflationary disease. Is that so?

RUFFOLO: Yes, it is.

SCALFARI: Can we cure it through the process of consensus?

RUFFOLO: I think we can: this is a democracy.

SCALFARI: What about you, Mr Spaventa? Do you, too, assign priority to inflation as the first disease to treat?

SPAVENTA: First of all, I join with Ruffolo: I consider unemployment our worst ailment. I am afraid we are underestimating the social costs of unemployment, especially among the young. The social costs are decaying morale and failure to learn the habit of regular work, as we find in some parts of the South. For example, I don't think providing more jobs in Naples will be enough to solve these problems.

DE LUCA: Are you saying, Prof Spaventa, that the people of Naples have forgotten or unlearned how to work?

SPAVENTA: It's not that. A lot of people have learned to work in a different way. I am saying that there are now large areas in the South, particularly urban areas, Naples among them, where there are other ways to work -- how shall I put it? -- dirty ways.

SCALFARI: We are talking now, it seems, about the camorra, the mafia...

RUFFOLO: Gentlemen, let's not shut our eyes: for some areas in the South, the mafia and camorra are a hideous, criminal surrogate for jobs.

SCALFARI: Sort of a Cassa del Mezzogiorno [Southland Fund].

RUFFOLO: Paradoxically, that's just what it is.

#### Growth in One Country Alone Is Impossible

SPAVENTA: Unfortunately there are no quick or easy solutions to these problems. The current state of the international economy is an obstacle: growth in only one country is impossible, particularly when that country is relatively small. Then there are our domestic problems, with inflation that stubbornly stays very high. There are conditions of uncontrolled and disorderly growth in incomes, sustained both by fiscal pressure which is still inadequate, because it still does not reach into huge areas of evasion and erosion, and by spending that creates incomes without managing to create productive capacity. Our particular crisis, though, has deep historical roots, beginning with the

persistent problem of the Mezzogiorno, and those roots determine its political manifestations: the tendency to go seeking consensus, not on clear-cut lines of economic policy, but on compromise for which the Treasury foots the bill.

SCALFARI: Can we contain inflation by means of tax policy?

SPAVENTA: An across-the-board tax increase at this point might well feed inflation, as a result of shifting the weight of higher taxes onto incomes and prices. Actually, a necessary increase in the average tax burden might be achieved by taxing at least part of the incomes which, legally or illegally, are tax-exempt now.

SCALFARI: So you prefer the monetary approach to the fiscal approach, then?

SPAVENTA: Both of them ought to be used, but used consistently and without traumatic leaps from permissiveness to harsh restrictions, as have occurred so often in the past.

CARLI: An example or two would be welcome.

SPAVENTA: In 1973, right after devaluation, there was a generally permissive policy, which got us into deep trouble, and the same thing happened at the end of 1975. After 1977, we failed to take advantage of the stabilization process and in the years that ensued we allowed utterly insane growth in incomes which we financed with the public deficit.

MONTI: Dr Carli said earlier that Italy's failure to solve its economic problems can be traced back to the heterogeneity of its governments. I take the liberty of contradicting him. I think, in fact, that for quite some time the parties in government, and on occasion even in the opposition, have been in substantial agreement on several vitally important issues, which have profoundly affected Italian society.

SPAVENTA: Negative homogeneity is what I believe I understand you to be saying. Is that true, Monti?

MONTI: Precisely. This unanimity on negative points is at the root of Italy's high and persistent inflation.

SCALFARI: Show us some examples, Prof Carli.

MONTI: Here you are. All the major parties have been in agreement -- and to a degree they still are, unfortunately -- on using prices and rates as a tool for income redistribution. Consider utility rates. Consider the Fair Rent Act. That has already given rise to serious budgetary problems and has been a prime cause of inflation. Point two: our governments have regularly

fallen into line on positions which encouraged the rise in the cost of labor. To make it up to employers, who had been penalized by this, they granted financing and tax breaks, provided they were in line with the unions' demands. Point three: the use of the state-participation companies as a tool for income redistribution rather than as the generators of new wealth. On these three key points, all the political parties agreed, or at least they did until a short time ago. You, Scalfari, asked us what was causing the decline. These are what cause it, these and others like them. You also asked us when the slump set in. I'll tell you: it was a slow process, a creeping process; but I would place the qualitative leap toward the worse between 1969 and 1975.

ALBERTO RONCHEY: Prof Monti, don't you think that the recent agreement on labor costs is yet another very cogent example of what you have been telling us?

MASSIMO RIVA: As I see it, not even the 23 January agreement on labor costs can be divorced from the overall context. It is true, as Monti says, that frequent government arbitration has skewed the labor market over the years, and has done so with results which, at least for the medium term, have not been encouraging. It is equally true, however, that the way in which each of the various agreements were handled and the repercussions they have had on government employment contracts and on para-governmental wage-scales have further skewed their effects. What I mean is that the state, as employer, has been far more easy-going than the private sector.

SPAVENTA: Typical, from this angle, is what happened in 1975. The then-Budget Minister, La Malfa, forcefully denounced the agreement on Colas reached between Confindustria and labor, maintaining that it was too favorable to the workers; and yet, only a few short weeks later, government and Parliament swallowed it whole and even made those same agreements more costly by transferring their costs and spreading them clear across the INPS (Social Security) pension system.

MONTI: What you're saying confirms my contention that the state has consistently maintained a rhetorical attitude that called for moderation, and a behavioral attitude that aggravated the rise in labor costs. But I would like a chance, too, to reply to the questions Scalfari raised initially. What is the "worst disease" we suffer from? Ruffolo has already told us: it is the combination of a recessive policy without the benefits that are associated with such policies elsewhere. In other words, we have a growth rate of zero, a very high rate of unemployment, but at the same time we have runaway inflation. The simultaneous presence of these two phenomena has never occurred, for anything like this long a time, in any industrial country.

CARLI: The reason lies in the fact that, given Italy's social structure and the political weakness of the leadership groups every expansive move that begins in the private sector has always spread to an even greater degree into the public sector, while the same phenomenon does not occur in the two sectors at the productivity level.

MONTI: After so many pessimistic diagnoses, I should like to add that, all the same, I have observed some slight indications of a return to sanity.

VIOLA: Where did you see it, Professor Monti?

MONTI: Careful, now, I said a return to sanity, not a recovery. It looks to me as though the schizophrenic behavior of government in the matter of labor costs -- combining exhortations to austerity with practical stimuli to labor costs -- is tapering off a bit. Even the Scotti agreement, while of course I do not feel inclined to call it "historic," ought not to be scrapped. It is an important development, as are the restructuring operations now under way in a fair share of Italian industry and the progress the monetary authorities are making toward a less compliant attitude vis-à-vis the public sector.

#### The Right Instruments for Easing Pain

RONCHEY: I get the feeling that there are still some pieces missing from the current discussion. For instance, when you talk of wages and labor costs in Italy and compare them with the European level, nobody ever mentions the proportion of fixed capital per worker is in the various countries. Yet this is an essential factor. Well, here that investment level is about half what it is in the French economy and in the German. This is why the push to catch up to the European salary, which has guided our labor policy since 1969, contains a built-in contradiction. Nor is that all: in other countries, particularly in the United States, technological innovation has brought sharp declines in the prices of some products, as well as across the board. Here, such processes are all but non-existent. Be that as it may, the analysis we have already completed should tell us, as I see it, that it is time to move on to a look at the future. And so I have a question for all of you: what instruments do you think will enable us to get out of our stalemate with what you have called the discomfort index? And, to make the question a bit more specific: do you think that imposition of a special progressive tax on might be a handy scalpel to have around? Or would such a tax hurt more than it would help?

SCALFARI: All right, let's go along with Ronchey's suggestion and start talking about the future. I'll start with this observation: thus far, the political parties have come up with no

serious proposals at all: putting the best possible face on it, they have proffered us an anthology of vague generalities as to what would be "desirable." The only viable proposal, even though it has yet to be publicized under any official aegis, stems from the one and only serious technostucture we have in this country: the technostucture at the Bank of Italy. We know what the suggestion calls for. The Bank of Italy feels that is necessary to cut back on the intensity of our automatic triggering devices, both with regard to labor costs and -- above all -- to the well-heads of public spending. To unplug the triggering devices and to get the big-spending wells under control. Make an operative reality of the provision in the Constitution which stipulates that there can be no spending which is not covered by revenues. To make sure that current expenditures cannot be financed out of the deficit, rather than out of regular revenues. This is the prescription for recovery which the Bank of Italy deems vital to recovery. Only when a process of this stamp has been set in motion will we reach the critical point of stabilization, and start looking forward to a new level of parity in foreign exchange and even, if required, a property tax. Do you think this therapy is the one that will work? What practical instruments will it require? Or are there other better alternative therapies available?

CARLI: I agree with that suggested therapy. I believe that it will prove difficult indeed to abolish the triggering devices in a period of high inflation. Let me be more specific: every social class tends to protect its own income, and that is a natural and legitimate and exceedingly strong reaction, which I think it would be impossible and quixotic to oppose, at least if we still want to stick with a system based on consensus. That makes the problem quite different: it now becomes a matter of extending the time periods elapsing between automatic adjustments. Our current system of triggering devices -- take for example labor costs -- are too short, and as a consequence they not only fuel inflation, but can actually generate it. However, considerations of much the same nature hold good for interest rates, and hence for the cost of money as well, and this is another sector vital to recovery therapy. The cost of money these days varies almost simultaneously with the inflation rate.

RIVA: Which means it is totally indexed.

CARLI: It is more than pegged: it moves simultaneously. This sets up a situation clearly spelled out in the latest report from CER, the European Research Center. Here's what it says: "Whenever the real interest rates, which must be paid to absorb new and service old debt, exceed the real product growth rate, as happens in recession periods, conditions ripen for a spontaneous growth in the ratio between debt and earnings which exceeds the growth engendered by the new deficits." In other words, it spurs everybody's propensity to go deeper into debt. Everybody: the state, corporations, and citizens alike. At that point, the process spins out of control, and finally collapses.



DE LUCA: So what do we do? What proposals are there for breaking this doomed cycle?

CARLI: It might be smart to extend the range of securities available to investors by offering inflation-protected government securities on the money market, provided that their rates are adjusted on an annual basis. That is Professor Monti's suggestion, isn't it?

MONTI: Yes. It's a proposal we made, along with Paolo Baffi and Luigi Spaventa.

SCALFARI: Would you like to explain it to us, Professor Monti?

MONTI: The idea was to issue a government bond to finance the deficit with a maturity of 5 or 7 years; it would be indexed on an annual basis; at maturity, however, the bearer would receive payment that retained its real value. In exchange for this, the interest rate would be a real rate, rather than a nominal one, and therefore very low indeed.

RONCHEY: How low?

MONTI: I think 1 or 2 percent, and in any case the market would determine the rate, through an issues auction.

CARLI: Personally, I believe this kind of bond could get a favorable reception from investors; for that matter, some of the current BOTs could be converted into the new bond issue. Provided, of course, that there is no conversion tax: you have to be very careful indeed not to disturb the capital and savings market, because both are extremely delicate and irreplaceable mechanisms. The slightest hint of forced consolidation or of a property tax on national debt bonds could lead to irreparable damage or even destruction of that crucial market. I get the feeling that the men Scalfari calls "the fathers of the country" are not all and not always aware of this.

RIVA: What you're saying is that the new bond would constitute a fairly lengthy postponement of the nominal interest, and hence would markedly lighten the interest burden on the budget. Is that right?

#### Investments Ought to Yield More Than They Do

SPAVENTA: In theory, then, what we're talking about is temporary relief, because the burden corresponding to that portion of the interest that is just enough to keep up with inflation would be postponed until the bond was redeemed, and the capital investment in that bond would be indexed. For that matter, as Carli reminded us, we already have indexing de facto, and that is what is pushing up interest rates. Monti's idea, though, offers two advantages:

by offering the investor new financial instruments, we might be able to bring down real interest rates; furthermore, in a plan to contain the deficit, it would be helpful, as part of that plan, to contain the flow of interest payments.

CARLI: What you're saying then is that we should extend the intervals between indexing adjustments, both with regard to labor costs and with regard to the cost of money, by introducing new kinds of securities carrying appropriate indexing adjustments. Both these measures are healthy strides toward recovery. I would add that throughout the entire recovery period, monetary policy must not be soft, but it is equally true that the longer we make the trigger-point intervals for automatic upward adjustments, the less time it will take for the monetary containment policy to become less stringent. In short: if we want to protect jobs and avoid disastrous increases in unemployment, we have to find a way to get investments moving again, and that means a better return on investments. The goal of preserving jobs is intimately tied in with the use of tuning instruments that can contain incomes without resorting to draconian monetary restriction. Until the day when the political and labor forces are constrained to accept this linkage, we shall stay where we are: mired in crisis. Here again I will restate my own conviction: no parliamentary majority lacking a shared vision of these problems can operate effectively. If the vision is not shared, we shall not be able to take a single step ahead.

SCALFARI: Thus far, we have identified two tools: stretching the trigger intervals for compensatory increases, and issuing a new kind of government security pegged to a yearly index and bearing a very low interest rate. I ask Professor Spaventa: under our current conditions, what is the goal we can reasonably set as a rate of growth and capital accumulation for the next few years?

SPAVENTA: Our growth rate in the future will depend solely on the growth of our exports. It is therefore linked with two conditions: a substantial recovery in international demand, and the competitive stance of our products vis-à-vis those of the countries which are our competitors. If we opt for forced-draught growth in domestic demand rather than for boosting exports, we shall wind up with heavy deficits in our balance of payments, and with all the familiar economic woes they bring in their train.

SCALFARI: Ronchey asked us a specific question about the property tax. What is your answer to that, Professor Spaventa?

SPAVENTA: I should make a distinction between real property and personal property. Most personal property is held in the form of government bearer bonds, which are tax-exempt. Any levy on such property would prove economically and politically unfeasible.

RONCHEY: I gather from that that you feel it would be idle to propose a property tax of a general nature, one that would tax both government securities and bank deposits?

SPAVENTA: I am speaking generally here. I do not think a property tax would be impossible to propose; such a tax would be helpful, however, not by itself, but as part of a far broader recovery program, and always provided that the proceeds would be used to reduce the debt, rather than to finance further deficits (which is what happened with forgiveness). Any hypothetical property tax would have to keep hands off securities and bank accounts, both for the reasons I just mentioned, and because you are talking now, at least in part, about assets that are already hard-hit by the inflationary tax, but may be based on real income and on corporate holdings. In the case of the floating debt there might be non-expropriatory conversions, but conversions which would, on the contrary, guarantee real advantages in exchange for longer terms: typically, you might get a replacement for part of the floating debt with indexed government securities, as Monti suggests, in the medium term, and hence with no loss to the holder.

SCALFARI: There has been some talk about sterner containment of spending legislation on the part of government and Parliament alike.

SPAVENTA: I consider that an essential point. Parliamentary committees these days are special-interest bodies. The Justice Committee decides on pay raises for the judiciary, the Education Committee rules on salary increases for teachers, and so on. Article 81 is pure fiction. We have to take a second look at all these matters. Maybe we'll have to set up a control body outside of Parliament, and endow it with adequate watchdog powers over compliance with the rules we refer to broadly as "proper coverage of expenditures."

RIVA: Don't you think Parliament is capable of exercising that sort of control?

SPAVENTA: On the basis of my own experience, I can only answer frankly: No.

MONTI: I'm with Spaventa. I should like to point out, however, that there is another way in which the government can channel savings into its coffers, and that lies in a set of impediments which the state itself has set up to make it impossible, difficult, or unprofitable to find other ways of using bank savings. A prime example is the ban on using bank savings abroad. Another is the ceiling on bank loans to business. Yet another is the whole corpus of restrictive legislation on residential rental contracts, as is the fair rental rule itself. Each of these measures, of course, has its own specific motivation, but the overall upshot is that productive investment of bank savings is sharply restricted, and that investment in government securities emerges as the main chance, thanks to explicit or hidden forms of coercion.

RIVA: You're talking about the snares and pitfalls Carli has told us so much about.

MONTI: Precisely. If the government were a conscientious debtor, by which I mean if it used bank savings for investments socially useful to the public, the phenomenon would not have the undesirable impact it now has. But what we have here is a "deviant borrower," in the sense that it puts the funds it has borrowed to improper use. In such cases, the basic remedy is to broaden all possible alternative use of bank savings, so as to enable the government to compete with others in search of capital in the market, without encouraging such behavior by cutting off all alternative sources.

SCALFARI: Gentlemen, I should like to call your attention to the fact that we are describing a government that is little short of being a national disaster. Monti has just called it a "deviant borrower," and I for one agree with him. Nevertheless, this is a fairly harsh verdict.

GIANNI ROCCA: Don't you think it is a fair one?

SCALFARI: I think it is deserved, but it is still heavy.

MONTI: That means we must impose stricter discipline on the borrower we find most deviant. And now I come to the heart of the matter: in my view, a general property tax is a measure that does not square with this line. In heroic therapy an extraordinary tax on those inherited incomes which have benefited by inflation might be justified, but it is totally unjustified when applied to financial activities that have paid a heavy price as a result of inflation: government securities and bank deposits. To propose such measures would be bitter irony indeed.

ERALDO GAFFINO: What is your view, Professor Monti, of the growth rate over the next few years?

MONTI: As Spaventa said, any possible growth is closely tied to our performance in exports. The problem of capital accumulation, however, is something else again. There might be a modest growth rate for a while -- and I'm afraid that's what it will be -- together with a higher rate of capital accumulation. That means that, for a long time to come, domestic demand will be contained so as to make room for exports and investments. Scalfari wrote just a few days ago that the austerity we have now is all but unbearable, but that austerity combined with capital accumulation is harder still to bear. I agree fully with his diagnosis. Growth in capital accumulation means growth in real savings, and hard ceilings on non-productive use of those savings. This is the prime goal in restoring our country's economy to health.

## Welfare Last in the Pay Line

RUFFOLO: Monti's right: we have to increase real savings to finance more far-reaching investments. And here we get to the heart of the matter -- at least as I see it -- which is the question of jobs. I believe we have to draw a distinction between two different kinds of activity and sectors. The productive sector, properly so-called, which must expand its own productivity and hone its own competitive skills to turn out products under competitive conditions. Hence it must have adequate financing. I would point out in this connection that among the few spending cutbacks actually made, the item hit hardest was the one for financing industrial research. That is an act that makes no sense at all. But from an improvement, a restructuring of the productive sector in the direction of efficiency we can certainly not expect any increase in employment. Quite the contrary: there will in all probability be still more workers shut out of the production process. We can react to that phenomenon in part, at least, by shortening the work-day or the work-week.

RONCHEY: And making proportionate cuts in wages, otherwise any such measure would become impracticable.

RUFFOLO: Cutting back wages provided there is an increase in employment, as they do in the French "solidarity contracts." For that matter, even the labor unions are beginning to look in that direction. But that leaves the other aspect of the question, by which I mean soaking up the unemployed work force we have now. You have examined the financial aspects of the crisis in minute detail, and I agree with most of your analysis. But I don't want the question of unemployment to be neglected, nor yet looked at through the wrong lens of the telescope, as it would be with the argument that "we can think about unemployment later," or that "the situation will improve as a consequence of restored economic and financial health." We all know that's not so. Restoring economic health will not, in and of itself, solve the problem of joblessness, that dreadful, running sore whose costs, in social, human, cultural, economic, and existential terms -- as we have recalled before -- may well bring industrial civilization to a catastrophic end. That means that we must devote every ounce of available energy and resources to solving this vital question.

SCALFARI: You're thinking of something like a "labor army," along the lines of Di Vittorio's plan back in the Fifties?

RUFFOLO: The goal may be the same, but the means for getting there cannot but be profoundly different. In the meantime, we must create enough available resources to pay for getting the unemployed back to work. That's the point. Enough of "assistance" obsession, with "welfare" last in the pay line. We must revise some of the reform laws, beginning with health and welfare. The state must provide economic assistance to its economically most vulnerable citizens, and do it on the basis of standards that are acceptable and equal for all. The better-off

classes must come up with their voluntary contributions if they wish to raise those standards. The same principle ought to hold for Social Security.

ROCCA: In short, what you are proposing is a minimum threshold for health and pensions, plus contributions from the more comfortably situated if they want higher standards of assistance and welfare?

RUFFOLO: Precisely. With a very hard ceiling, though, on all spending for this purpose.

ROCCA: A few days back there was a real donnybrook over the fact that, even in these times, people go on talking of "Right" and "Left." How would you describe your proposal? As "Right" or "Left?"

RUFFOLO: I can't go along with De Mita as to the death of the concepts of Left and Right, although these are still more in the nature of selection criteria than of "mythical" counter-positions. Your question, though, gives me a chance to clear things up. Look: holding down welfare costs and reducing waste is not, per se, either a "leftist" or a "rightist" measure; it is what we might call a sound and proper administrative measure. The political factor enters the equation when we have to decide how to use the money we have saved. My proposal is that the funds freed by containing welfare costs be used to finance the social costs of getting people back to work.

VIOLA: What do you suggest all these unemployed people do? What I mean is what would you have them do? What kind of work? Work that would benefit the community?

RUFFOLO: Work that would hasten completion of programs to improve the natural environment, to preserve our historic heritage, to clean up our great metropolitan areas, to further social cooperation; briefly, the entire context that makes up the infrastructure of a modern service, of which we have practically none. I would also point out that putting the unemployed to work in ways such as these would have practically zero effect on our imports, and that is an advantage not to be sneezed at, given our present condition.

DE LUCA: Can you tell us how the labor market is likely to perform during the next few years, in the various regions of our country?

RUFFOLO: It looks dismal. You see, unemployment in the North, including that part of it now financed through the Wage Supplement Fund, has not yet reached panic levels, although it must not be underestimated. The real tragedies are those affecting the young and the Mezzogiorno. Just consider the fact that from now until 1991, 90 percent of the entry-level labor force will come from

the South. That's 90 percent. If we don't have a place for this mass of jobless young people that may well spring up within the next 7 years, we run a risk far more ominous than that of an economy stagnating in depression: we risk the very existence of our democratic institutions. In eight regions of the Mezzogiorno, 90 percent of our future work force is growing up right now. I repeat: this is indeed a dire prospect. This is why I have been fighting all these years to get that Labor Agency set up, the one that is designed to regulate and organize the labor market and to make sure that workers can get to where the jobs are.

RONCHEY: Not a single step has been taken in that direction, though. A lot of talk, a very useful measure, yet not a single step forward. Aren't the parties aware of what is happening, or of the urgent nature of the problem?

ROSSI: I should like to ask Ruffolo: which, of all these proposals he thinks is the first, the most urgently in need of adoption?

#### A Record Nobody Envyies Us

RUFFOLO: There is no first and no second. The crisis is so grave and so deep that we must move with a whole range of measures that are consistent with each other and go into effect simultaneously, that deal with the situation at its various levels: inflation, getting the state back on a sound financial footing, the national debt, revision of some of the reform laws, rigorous control of public spending, increasing productivity and expanding exports, getting productive investments rolling again, labor mobility, setting longer time intervals between the trigger mechanisms of indexed increases and, above all, getting the unemployed back to work.

SCALFARI: Gentlemen, it seems to me that the time has come for a summing-up, and, for that matter, Ruffolo has just done it for us. We are agreed in our analysis of what ails us, in setting the discomfort index in the coexistence of inflation and unemployment, in which we have set an unenviable record by comparison with all the other industrial nations. We also found ourselves in agreement on the statement that the Italian state is a "deviant borrower," which, as it sets about what can only be called a forced harvest of its citizens' savings, proceeds to squander much of them. In criminal law, this would be called looting. Then we moved on to talk about suggestions for a cure. Despite some inevitable differences among our guests, it seems to me that all of us are more or less in agreement that:

1. It is necessary to bring public spending under control and to devise new and effective ways to insure that current expenditures are covered solely by revenues, and not by indebtedness.

2. Some of our reform legislation should be reviewed and recised, particular that on health and pensions, which is wastefully extravagant.
3. It is time to lengthen the time-spans between the trigger points of some of our automatic income-protection indexing machinery, both those which apply to earned income and those which apply to income on investments.
4. We ought to do away with a number of pointless restrictions, or at least to ease them gradually, particularly in the area of housing and in that of savings investments, including investments in foreign markets.
5. It is necessary to create a new kind of government security, that it be indexed, and that it should bear a low interest return.
6. Any general property tax affecting bank deposits and government securities must be ruled out. Equally impracticable would be a forced consolidation of the national debt. On the other hand, we might profitably consider a property tax of specific sources of income which have benefited more than the average from inflation, provided that any such tax start only after the other processes of financial cleanup cited above have been initiated.
7. There should be a thorough reform of the tax system, in the direction of greater fairness in the distribution of the tax burden, which concept is flagrantly flouted at present.
8. Needed with the utmost urgency is a Labor Agency which will organize the market and ensure worker mobility. In this context it would be wise to move toward phased reduction in the work-day and/or work-week, with proportional cutbacks in take-home pay.
9. Programs must be developed to put the unemployed back to work, through appropriate social spending, bearing in mind the fact that over the next 7 years, eight Southern regions bid fair to be saturated by the growth of a labor force without any possibility of employment.
10. Industrial relations must be guided by the spirit of the recent labor-cost agreement, in the direction of planned inflation and of labor costs contained within its limits.

It seems to me that, insofar as possible, this discussion has made a substantial contribution to an analysis of the Italian case and of possible treatments to cure it. Gentlemen, thank you for your participation.



Table 1

Unemployment: in 6 years nobody has found a way to stop it

1978	- 7.2
1979	- 7.7
1980	- 7.6
1981	- 8.5
1982	- 9.4
1983	- 9.8

(The jobless for 1983 refers to January. Percentages refer to the total work force).

Table 2

Inflation: the relapsing fever no medicine has cured

1978	- 12.4
1979	- 15.7
1980	- 21.1
1981	- 18.7
1982	- 16.4
1983	- 16.6

(the percentage for 1983 refers to the month of April)

Table 3

Zero growth: The zero-growth rate for the current year is, of course, an estimate.

1978	- 2.6
1979	- 5.0
1980	- 3.9
1981	- 0.2
1982	- 0.3
1983	- 0.0

6182

CSO: 3528/151

## 'CESPE' STUDY CRITICAL OF DC'S SPENDING CUTS

Rome L'UNITA in Italian 17 Jun 83 p 5

[Article by Mario Geri: "Why the De Mita Cuts Will Not Help Economic Recovery; If Everybody Paid Their Taxes, The Deficit Would Be Reduced At Least 25 Trillion Lire"]

[Text] A CESPE [Center for Studies of Economic Policy  (for the PCI)]: fewer taxes collected than in the rest of Europe. The vicious circle between the budget deficit and interest rates.

Political (and now election) debate has brought forth again almost obsessively the idea that the national budget deficit is the cause of inflation and that expenditures will have to be cut in order to reduce it, especially spending for social protection. That is the nub of the "rigor" being propagandized by De Mita, although the DC, for one, has shown itself incapable of tackling the problem of public assistance spending. The study from the CESPE social research section, which we are presenting here, shows why this policy line is doomed to failure. The main results can be summarized as follows.

- (1) There is a structural "hitch" that has for some time made the Italian budget deficit distinctly higher than in other countries. This is a problem that no government has ever solved, because it is tied up with the clients of the national budget both in taxes, which favor evasion, and in expenditures (assistance income continues to be appropriated with no means to cover it).
- (2) The expansion of the deficit is due more to low tax collections (because of widespread evasion and erosion) than to excessive social spending; also, tax collections have lagged behind rather than outpaced the rate of inflation.
- (3) It is illusory to think that inflation can be reduced by first overcoming the budget deficit. Rather, both problems have to be solved at the same time.
- (4) The structural divergence between the Italian deficit and that of other countries has been aggravated in recent years by the sharp rise in interest payments on the public debt.
- (5) This is a consequence of monetary policy options that are based on issuing ever more government bonds and, in particular, ordinary Treasury notes with greatly reduced discounts.

(6) A "vicious circle" has been created that raises the national debt and real interest rates at the same time.

This does not diminish the importance of containing the deficit with a policy of reforming and restimulating the economy, of course. But some shortcuts such as those trumpeted by the DC are both dangerous in their possible social consequences and ineffective because they do not affect the real causes of the deficit.

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The national budget deficit is blamed for being the main cause of price increases and, less directly, for the recession and the negative balance of payments. Our main European partners also have budget deficits, although to a lesser extent. But Italy seems to be distinctive in that it has a higher deficit and a large increase in the deficit in recent years. This increase followed upon the "quality jump" of Italian inflation in the 1979-80 biennium. This sequence of events casts doubt upon the assertion, which is often forcefully made, that the budget deficit is the cause of inflation. To explain the course of events in that way, it would be necessary to suppose that inflation itself pushes the budget deficit upwards. That would make a vicious circle, in which inflation and the deficit feed on each other.

#### Tax Receipts

Current national government tax receipts, which come mostly from the income tax, are consistently lower than in other European countries. If the level of current tax receipts is measured as a percentage of the gross domestic product [GDP], it can be seen that Italian taxes are lower than the average of EEC countries (excluding Italy) by at least 5 percent of the GDP. This is true for the entire period under consideration, which covers more than 20 years. It is therefore a basic feature of the Italian economic system. It must be noted (as the Finance minister has) that Italian taxes showed a gain relative to European averages in the past year. However, the 1982 data is subject to a series of unusual conditions (remitances, fiscal decrees) that are not repeatable unless "raiding" is meant to become a consistent instrument of tax policy.

If Italian taxes were at the European average, the budget deficit would be reduced (assuming expenditures to be equal) by 25-30 trillion lire; it would drop to a level that is still, but not significantly, higher than the average.

The income tax follows more or less faithfully the average level of current receipts, and it does account for most of them. The tax is decidedly low in comparison to EEC countries and is distinctive in the high rate of assistance payments at the expense of direct taxation.

The relatively low rate of direct taxation seems especially unusual when it is considered that under a progressive tax system such as prevails in all European countries, the proportion of direct taxes rises at a higher rate than income does as it is pushed higher by inflation. This phenomenon, which is known as fiscal drag, should have pushed Italian receipts from direct taxes higher than the average for European countries, given the higher rate of inflation that has prevailed in Italy since the oil crisis began.

Despite fiscal drag, tax receipts remain low in Italy, a fact that is due to large-scale tax erosion and evasion. It will take great political determination to overcome these handicaps. If we consider only the yield from direct taxes on earned income, which, as is well known, escapes very little from the income tax, we find that taxes are anything but low.

Assistance payments deserve separate treatment, because they are directly affected by current fiscalization provisions. Strictly speaking, fiscalization of social costs means that a portion of assistance payments is replaced by tax receipts of another kind. This implies a coherent, explicit plan for income redistribution. In other words, a decision has to be made as to who must bear the burden of fiscalized costs. This has not happened in Italy: fiscalized social payments have not been replaced by any specific kind of income but have simply caused an increase in the budget deficit. Even this method has resulted in income redistribution, only the redistribution has been hidden rather than clear-cut.

### Government Spending

The level of Italian government spending taken as a percentage of the GDP was slightly lower than the average of EEC countries (excluding Italy) for 30 years, from the beginning of the 1950's to the end of the 1970's. In 1980-81, Italian government spending was higher than the EEC average; in 1982 it was at the average of EEC countries and should therefore have been less than about 20 trillion lire. At present, then, the level of Italian government spending is slightly higher than that of our European partners. What appears most worrisome is the rather sustained rate at which Italian spending has increased over the last 2 years, a rate that is higher than the European average. As was already mentioned concerning the budget deficit, this increase has occurred subsequent to the increase in the rate of inflation.

This phenomenon seems to be closely linked to the explosion in interest costs. In Italy at the beginning of the 1980's, the proportion of interest payments to total current expenses is more than double that of the 3 other large EEC countries. Also, the annual growth rate of Italian interest payments is by far the highest.

In order to make it possible to finance the deficit, the Treasury agent must pay financiers an amount of interest that will at least partly compensate them for the value loss (due to inflation) of the money lent to the government. It follows that the higher the inflation rate is, the higher interest payments will be. That explains why government expenditures are being "dragged" upwards by interest payments and why the budget deficit follows along behind accelerating inflation.

A distinction must therefore be made within the overall budget deficit, namely, there is a deficit that we can say is "built in," that is linked to the functioning of government administration and is not due to outside factors, e.g. inflation. An approximation of the concept of built-in deficit is the net deficit for interest payments; action must be taken in this area.

In the last 2 years, the built-in deficit has had much more modest growth than that which has occurred in the general deficit. Actually, the growth in the general deficit has been almost entirely due to interest expenditures. It is therefore not quite correct to play up the "explosion" of the deficit. A much more serious problem is the divergence between the built-in Italian budget deficit and that of the EEC countries. This problem hides a long-standing lack of control over national budget financing.

8782

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## KEY INDICATORS POINT TO CONTINUATION OF DEPRESSED ECONOMY

Madrid EL ALCAZAR in Spanish 8 Jun 83 pp 20-22

[Article by Teresa Casillas: "This Year There Will be Another 400,000 Unemployed"]

[Text] The optimism of the Socialist government is incredible, especially that of the economic minister, who had no doubts about asserting, during a press conference held with the purpose of presenting the state's general budgets for 1983, that the principal economic indicators such as employment, inflation and the foreign debt had improved so far this year. Apparently, Minister Boyer puts no importance in the fact that the economic crisis worsened alarmingly during last April, that the number of unemployed is approaching 2.5 million and that the foreign deficit is about to put Spain in a situation close to the suspension of payments.

Of the renowned 800,000 jobs promised by the PSOE [Spanish Socialist Workers' Party] in its electoral campaign and now placed in doubt by the minister of industry and energy, not only have none been created but so far this year tens of thousands have been lost and, according to the report by the Spanish Association of Private Banking, this loss of employment may amount to 380,000 during this year.

Meanwhile, Miguel Boyer acknowledges that the only thing that can be done against unemployment "is to prevent a deterioration in employment during this year," that is, by all means to keep the number of jobs constant.

In regard to the 4-year economic plan for 1983-86 that the government is proposing to bring about economic recuperation and which foresees the creation of the renowned 800,000 jobs, it does not meet with the approval of most of the economic sectors of the country that feel that the government still has not specified what its objectives and scope would be.

## Economic Indicators of the Crisis

This manner of meeting the economic crisis being pursued by the government has prompted Jose Maria Aguirre Gonzalo, Banesto president, to declare that "the manner of focusing on this struggle is erroneous, for one cannot reduce the inflation index with monetary policy alone. We have followed this system since the year 1973 and everyone can see the results--an inflationary index that has hardly fallen and an unemployment rate that increases year after year."

### Inflation

As a minimum, President Gonzalez' assertions that the crisis has bottomed out can be interpreted as being inexact, since it is unlikely that the government's forecasts that inflation will be limited to 12 percent will come about. In spite of this, Spain will be second to Italy in inflation among the industrialized countries, according to a study carried out by Banco Popular.

For the OECD, the only possible way for the member countries that account for 20 percent of the gross internal product of this organization, among them Spain, to emerge from the current crisis is to carry out an anti-inflationary policy of adaptation to the structural imbalances.

Despite the still premature assertions that inflation will be maintained at 12 percent, the government continues to be bold and is now putting inflation at around 8 percent for 1984.

### Fiscal Pressure

Whereas the official estimate for this year calls for an increase in fiscal pressure of 0.94 percent compared with the previous year, the CEOE [Spanish Confederation of Business Organizations] asserts that this increase will be twice that much, specifically 1.74 percent. The president of this organization, Carlos Ferrer Salat, stated during the presentation of the document "The Spanish Economy and the Budgets for 1983" that fiscal pressure has grown impressively, indicating that the collection of the tax on the incomes of physical persons (IRPF) will increase 33.7 percent, the corporate tax almost 31 percent and the business trade tax more than 33 percent. This increase in the IRPF has prompted the president of the National Federation of Large Families to write to the public defender asking for an appeal on the grounds of the unconstitutionality of Law 44/78, which regulates this tax, because according to the said federation, this law violates the articles of the constitution that assure the protection of the institution of the family.

For its part, the CEOE is asking for more public investment without increasing fiscal pressure.

Meanwhile, the minister of economy and finance declared recently in the Cortes, during the presentation of the Budgets Law for 1983, that "fiscal pressure, despite growing 1 percent this year, will be 15.31 percent of the gross internal product, a percentage that is among the lowest of Western countries."

These statements by Minister Boyer do not coincide with calculations made by the Madrid Chamber of Commerce and Industry, which, in a study carried out in January, indicated that fiscal pressure represented 19 percent of the gross internal product in 1980, 26.7 percent in 1981 and 28.5 percent in 1982. For this year, one would have to consider not only that 0.94 percent increase that was announced but also the increase occurring in the taxable bases of Social Security.

#### Prices

The absurd increase in prices during the month of April continued in May when, on the one hand, an increase in the electric rates was announced for September, which means that they will be among the highest in Europe, especially for the iron and steel industry, since for this sector is meant an increase of 215 percent in the last 4 years. This cost structure hurts the competitiveness of the Spanish iron and steel industry, which must put up with higher electricity prices than those in effect in the rest of Europe. Likewise, an increase is foreseen for the end of the year in the rates for water consumption in Madrid for the purpose of improving the Integral Improvement Plan, since it is met with a portion of the water rates.

The Spanish Railway is also increasing its rates beginning in June. This increase is set at 11.31 percent for passenger traffic and 10.34 for the movement of goods.

In a like manner, public transportation costs are rising. The price of a bus trip will go from 30 to 35 pesetas, and if the subway cost increase is approved it would be similar to the cost of the EMT but in addition it would mean the disappearance of the books of regular tickets. The 22-percent increase proposed for the taxi drivers will also be studied prior to the summer.

In contrast, basic agricultural products have experienced a sharp decline in the last 2 years. This fall in prices affects the agricultural exports of the developed and the developing countries. Meanwhile, the index of prices received by farmers increased 15.9 percent during the 1982 fiscal year.

#### Consumption

Within the consumption sector and by way of example, one would have to note the decline in the sale of housing, put at 10 percent. The number of housing units sold in Madrid last year was 6,627, a decline of 10 percent compared to 1981. Similarly, so far this year an abrupt decline in the sale of automobiles has been registered and exports were saved thanks to General Motors' coming to Spain.

#### Foreign Debt

If the trend toward depreciation of the peseta continues, the Spanish debt would be in a very precarious situation, since 68 percent of the foreign debt is in dollars.



In February of this year, the deficit in the balance of trade exceeded 297.96 billion pesetas, the result of imports of 648.797 billion pesetas and exports of 350.837 billion pesetas. The coverage rate was 54.1 percent.

Because of this, foreign economic colonization has increased considerably, for in the first 3 months of this year direct and authorized foreign investments rose to 42.936 billion pesetas, 46.7 percent more than in the same period of the previous year.

The reasons for this negative evolution are found in the increase in the purchases of crude oil and machinery and in the decline in sales of footwear, iron and steel and food products--principal exports. If this declining note continues in the coming months, then all that is left to hope for is that the "miracle" of tourism will come to save the already almost intolerable situation of our trade balance.

Thus it seems inexplicable in view of our foreign debt that the Spanish Government would reject a military contract with South Africa in the amount of 40.8 billion for repairing the South African submarines and later for construction of submarines for that country in Spanish shipyards. This not only would mean a flow of money into Spanish coffers but would be the solution for Bazan, whose finances put many jobs into jeopardy. The cause of all this arises in a demonstration of contempt for the racist policies of the South African country.

#### Autonomies

One of the major expenditures that the Spanish state has to take on involves the autonomies. The transfer of expenditures to the autonomies amounts to 145,047,384,000 pesetas. Catalonia is the most burdensome of all, because to finance part of the obligations received the central government will pass on 60 billion pesetas to the Catalanian Autonomy, almost 10,000 more than in the previous year.

The second autonomy in regard to expenditures is the Basque Country, for in addition to the regular budgets for financing the autonomous organizations, the central government has estimated that the cost of the government's security plan for this zone, known as ZEN (Special Zone of the North) will be 15 billion pesetas every 2 years.

The drain that the autonomies mean for Spain at such critical moments for the country's economy does not seem to matter much to those responsible or to the heads of the autonomies when it comes to setting their salaries, since, for example, Joaquin Leguina, the virtual president of the new Madrid autonomy, will receive a gross salary of 300,000 pesetas for performing his duties.

#### Social Security

In the budget presented for Social Security by department head Joaquin Almunia last 28 April, one should note the 35 percent increase on the part of the state for this year, in which it is anticipated that Social Security expenditures will be 2.7 trillion pesetas.

The rate structure will be the following: enterprises with less than 250 workers will adjust their average effective rate from 25.9 percent to 25.5 percent. It increases from 25.1 to 25.3 percent in those with 250 to 1,000 employees and 22.9 percent is established for enterprises with more than 1,000 employees.

Meanwhile, throughout all of last month there were new arrests in connection with the business fraud against Social Security, and likewise the press has reported cases of presumed irregularities, such as that which occurred in Santiago de Compostela, where an X-ray apparatus belonging to Social Security was found installed in a private clinic.

#### Monetary Depreciation

"At the rate we are going, and if there is no serious reaction, we can become a bankrupt country." These statements were made by Jose Maria Figueras, president of the Higher Council of Chambers of Commerce, Industry and Navigation, in connection with the continual depreciation of the peseta.

According to Banca Mas Sarda, in a little more than 3 months the peseta has depreciated by almost 15 percent. Since the devaluation of 8 percent last December, the Spanish currency has depreciated an additional 6 percent through the end of March relative to the dollar, a currency that continues to register record rises, now being quoted at more than 141 pesetas.

#### State Deficit

In the last 6 years, there has been an increase of more than 1,500 percent in resorting to the Bank of Spain to finance the public debt, the treasury's indebtedness to this entity now being more than 2.3 trillion pesetas.

Jose Ramon Alvarez Rendueles, governor of the Bank of Spain, declared during the meeting held in congress for the purpose of explaining different aspects of the general budget bill that in the middle term this entity would find it very difficult or impossible to continue to place the deficits (if they should increase) in the market.

Meanwhile, the state continues to contract debts, for the Ministry of Economy and Finance approved the issuance of state debt, internal and amortizable, in the amount of 25 billion pesetas, increasable to 45 billion.

For its part, the government wants to put into effect a plan to control the deficit that would bring it down from the current 6 percent of the gross internal product anticipated for this year to a zero deficit for 1986.

## Credits to the State

To relieve the deficit, the General Directorate of the Treasury has solicited a loan of \$600 million (80 billion pesetas), instructing the Chase Manhattan Bank and the Morgan Guaranty Trust to organize, as banking agents, the syndication of the loan. This credit limits the active participation of some of the large Spanish banks in the operation and thus only four of them will take part as directors (Banesto, Central, Vizcaya and Santander).

In addition to this credit, Spanish financial circles consider probable the future securing of a foreign credit that would be handled through U.S. financier David Rockefeller during his stay in Madrid and which would amount to some \$2 billion.

## IMF Recommendations

The report, presented with much fanfare by the PSOE, in which the IMF gave a positive assessment to the action of the Socialist government, does not exist. Max Epstein, an adviser of the international organization, published a lengthy article in the magazine DINERO, in which he denies the existence of this document. On the contrary, according to the named adviser, "the text referred to is only a draft. The final text will not be positive." What the IMF actually recommends is a drastic reduction in the deficit in the current account of the balance of payments, indicating that the optimum figure should be less than 1.5 percent of the gross internal product.

## General Budget

The general impression in business circles, now that the General State Budget for the current year is known, is that there has been no change at all compared with the previous years.

With a delay of almost 5 months, the Socialist government presented the budget bill for 1983 in the Cortes. It anticipates initial expenditures of 4.573 billion pesetas, which may be exceeded in the final balance, with an initial deficit of 1.111 trillion pesetas. This deficit, according to business forecasts, could be 1.6 trillion pesetas at the end of the current fiscal year.

Once they had seen the budget, all of the parliamentary groups, except for the PSOE, asked that it be returned to the government, as they did not believe that it responded to real needs, and above all they felt that it would not generate any new jobs increasing current expenditures relative to productive expenditures. Nevertheless, all of these requests would be rejected in a vote, with 116 representatives in favor of returning the bill and 181 against.

9746

CSO: 3548/440

## UNION CHIEF STIG MALM: INAUGURATE WAGE-EARNER FUND BY 1984

Stockholm DAGENS NYHETER in Swedish 8 Jun 83 p 8

[Article by Clas Barkman]

[Text] "Act forcefully and inaugurate wage-earner funds as early as the beginning of 1984."

This demand, addressed to the government, was made by LO [Swedish Federation of Trade Unions] chairman Stig Malm on Tuesday in a speech at the congress of the Municipal Workers' Union. According to Stig Malm, there is no formal obstacle to introducing the funds--what is needed is political determination, he said.

"A decision should be made to collect a tax for wage-earner funds that is based on total wages. That would provide money for the funds by the end of the year," said Stig Malm.

According to Malm, the other building blocks needed for a complete wage-earner fund system are already there.

"The proposal for dividing profits is already complete. In my opinion, the proposal became needlessly complicated. But it was apparently deemed necessary to soften up groups that will never accept the proposal anyway. We can deal with that if we have to. The important thing is the level of the profit division. It must be raised if it is to have any moderating effect on the contract negotiations.

## Playing Santa Claus

"In August, a proposal on investment rules will be presented. Hopefully, by then people will have abandoned any ambition based on using the wage earners' money to play Santa Claus with."

Stig Malm's proposed wage-based taxes for the fund system are based entirely on the decisions made by the LO and SAP [Swedish Labor Party] congresses prior to this.

"From a purely practical point of view, the division of profits and the wage-earner funds should be paid into the ATP [General Supplementary Pension] system. This money could in turn be invested in the same system as the wage-earner funds. This could be done according to the same principles that apply to the fourth AP [General Pension] fund. And naturally one should have the same yield requirements as the AP fund applies to the rest of its investments. After all, the goal is to protect the investments so that we can handle pension payments."

Stig Malm feels there are several advantages to the wage-earner fund system he and LO are calling for:

"In the first place, I believe we can get the wage-earner fund to function as early as the end of 1983. I think people should expect us to solve this matter as quickly as possible.

"A system of ATP taxes would also mean that public employees would be included and would contribute to industrial development. That is important, since in many ways, municipalities and businesses depend on each other. This would also give municipal employees a reason to participate in managing the funds.

"Last of all, we know that the profits from the funds will quickly be funneled into the pockets of pension recipients. And that is not a bad form for individual affiliation."

#### Second Time

This is the second time in a short period of time that Stig Malm and LO have asked to have the funds instituted more quickly. The last time Stig Malm called for this was on May Day. With the exception of LO, most supporters of the fund concept are keeping a very low profile.

DAGENS NYHETER asked if it felt lonesome to stand on the barricades now and ask for the inauguration of the funds as early as the end of this year.

Stig Malm: "Yes, it does feel a little lonesome, since LO is the only organization that is really pushing the matter. But I don't feel lonesome when I present the idea of the funds in my speeches. There is strong support for the funds within LO. I felt that both on May Day at Norra Bantorget and now here at the Municipal Workers congress."

6578

CSO: 3650/213

## PAPER IS CRITICAL OF LABOR LEADER'S FUND SCHEME

Stockholm DAGENS NYHETER in Swedish 8 Jun 83 p 2

[Editorial: "Malm Wants the Fund"]

[Text] "The funds should be inaugurated as early as the end of this year," LO [Swedish Federation of Trade Unions] chairman Stig Malm said at the congress of Municipal Workers on Tuesday. "The proposals for taxes on wages and profit distribution are already in place; the only thing that is lacking now is decisiveness on the part of the government," he said.

Really? P.-O. Edin's proposal on profit distribution is ready in the sense that it has been published. It has not yet been taken up in parliament. Critics have condemned it as being so complicated that it is unworkable. It combines the current nominal business tax with a tax on real profits, a combination never seen before in the area of business taxation.

As yet there are no finished proposals on the organization of the funds, on how the board of directors is to be chosen, or on investment policy. The government, in other words, must now promise to implement a number of incomplete proposals, before it knows whether or not they are workable--if Malm gets his way.

Malm himself recommends a strange combination of "wage-earner funds" and AP [General Pension] funds. The exact meaning of the proposal seemed unclear, even to his audience. If the government is to expedite Malm's request, it must set up a provisional arrangement, with no time for parliamentary consideration and debate. For reasons of principle, however, the government should not introduce a system at the end of the year that is in conflict with the constitution.

Many opinion polls have shown a large and growing majority against socialization through collective funds. Stig Malm told delegates to the Municipal Workers' Union's congress:

"Act decisively, Olof Palme! You have our full support!" The majority of the delegates applauded. That is the majority he is counting on--and that is the only one.

6578

CSO: 3650/213

## POLL SHOWS MAJORITY OPPOSE WAGE-EARNER FUNDS

Stockholm SVENSKA DAGBLADET in Swedish 15 Jun 83 p 6

[Article by Claes-Goran Kjellander: "Majority in SIFO Poll Say Election Result Is Not Approval of Wage-Earner Funds"]

[Text] The election victory does not mean that the Social Democrats were given a mandate to bring in the wage-earner funds. But a majority of the party's sympathizers believe that the government will still bring in the funds.

Those are two of the results in a very comprehensive investigation of attitudes toward the wage-earner funds which was made by SIFO [Swedish Institute for Public Opinion Polls] at the behest of Business Economic Facts.

The investigation shows that the negative attitude toward the funds is markedly strengthened among nonsocialist voters. More of these also have the impression that bringing in the funds would change the economic system.

Among the Social Democrats the positions are more split, and in certain areas contradictory. SIFO chief Hans L. Zetterberg describes the situation this way:

"If Palme does not force the fund question he will lose a large amount of support from party activists. If he does, he risks losing the support of the voters."

## Uncertainty

The uncertainty is illustrated by several questions.

- 47 percent of Social Democrats and 55 percent of members of LO [Federation of Trade Unions] believe that the government has handled the funds question poorly.

- 62 percent of the Social Democrats and 49 percent of the members of LO believe that the party will go forward with the funds issue.

One of the questions concerns how the funds will change the economic system. On this question SIFO can make comparisons with polls of 1978 and 1980.

Among the nonsocialist voters the group which believes that the system will be changed very much has increased dramatically--from 20 and 30 percent respectively to 63 percent today. Even the number of LO and TCO [Central Organization of Salaried Employees] members who believe that there will be large changes has increased, while the number of Social Democrats is approximately the same as before--a little over 20 percent.

#### Marked Difference

The difference between nonsocialist and socialist voters is marked, even when it comes to the most important reasons for the wage-earner funds. More assured employment is clearly the most important motive for the Social Democrats, after which comes "increased capital for investments" and "increased influence for employees."

Nonsocialist voters in general and Conservatives especially have an entirely different conception. They see the increase in influence for the labor unions as the most important reason. Next most important is that existing capital owners will have reduced power and profits.

#### The Interest

As to the interest in the question of funds the SIFO material shows very small differences in the comparison between different groups as well as the comparison between 1982 and 1983.

SIFO's poll was conducted between 20 April and 10 May, and included 1,024 interviews. The poll was therefore concluded before the government announced that a bill for the funds would be presented to the fall Riksdag.

#### Key for the following tables:

- m - Conservative Party
- fp - Liberal Party
- c - Center Party
- s - Social Democrats
- vpk - Left-Party Communists
- LO - Federation of Trade Unions
- TCO - Central Organization of Salaried Employees
- SACO/SR - Swedish Confederation of Professional Employees--National and Local Civil Servants Union



Poll Questions:

Do you believe that the government handled the question of the wage-earner funds well or poorly?

<u>Answers</u>	<u>All</u>	<u>m</u>	<u>fp</u>	<u>c</u>	<u>s</u>	<u>vpk</u>	<u>LO</u>	<u>TCO</u>	<u>SACO/SR</u>
Well	13	10	8	4	20	16	15	13	14
Poorly	58	69	76	62	47	60	55	55	71
Don't know	29	22	16	34	32	24	30	32	15

Do you believe that the voters in the 1982 election gave the Social Democrats a mandate to bring in the wage-earner funds?

<u>Answers</u>	<u>All</u>	<u>m</u>	<u>fp</u>	<u>c</u>	<u>s</u>	<u>vpk</u>	<u>LO</u>	<u>TCO</u>	<u>SACO/SR</u>
Yes	17	11	13	12	23	22	20	17	8
No	73	85	82	75	62	73	66	77	88
Don't know	11	4	6	13	15	6	14	6	4

Do you believe that bringing in the wage-earner funds will change the economic system in Sweden much, little, or not at all?

<u>Answers</u>	<u>All</u>	<u>m</u>	<u>fp</u>	<u>c</u>	<u>s</u>	<u>vpk</u>	<u>LO</u>	<u>TCO</u>	<u>SACO/SR</u>
Much	41	65	49	57	22	26	30	42	54
Little	39	21	27	23	57	57	49	39	25
Not at all	9	6	13	9	9	6	8	10	17
Don't know	11	7	11	11	12	11	13	9	4

Do you believe that the Social Democrats should put the plans for the wage-earner funds aside, or work harder on them?

<u>Answers</u>	<u>All</u>	<u>m</u>	<u>fp</u>	<u>c</u>	<u>s</u>	<u>vpk</u>	<u>LO</u>	<u>TCO</u>	<u>SACO/SR</u>
Set Aside	56	87	75	88	24	36	40	67	69
Work Harder	35	9	21	8	62	57	49	26	27
Don't know	10	5	3	4	14	7	11	7	3

Do you want a referendum on the wage-earner funds?

<u>Answers</u>	<u>All</u>	<u>m</u>	<u>fp</u>	<u>c</u>	<u>s</u>	<u>vpk</u>	<u>LO</u>	<u>TCO</u>	<u>SACO/SR</u>
Yes	51	65	45	55	40	54	47	56	49
No	40	28	49	34	49	41	43	35	46
Don't know	9	7	6	11	11	5	10	9	5

Do you believe that it is true or false that the wage-earner funds are being introduced in Sweden?

<u>Answers</u>	<u>All</u>	<u>m</u>	<u>fp</u>	<u>c</u>	<u>s</u>	<u>vpk</u>	<u>LO</u>	<u>TCO</u>	<u>SACO/SR</u>
True	60	71	69	60	54	47	60	62	56
False	21	17	12	15	27	31	21	24	29
Don't know	19	12	18	26	19	23	19	14	15

Are you personally for or against changing the economic system through the wage-earner funds?

<u>Answers</u>	<u>All</u>	<u>m</u>	<u>fp</u>	<u>c</u>	<u>s</u>	<u>vpk</u>	<u>LO</u>	<u>TCO</u>	<u>SACO/SR</u>
For	19	2	4	0	39	31	28	15	11
Against	57	88	81	84	26	34	42	66	77
Don't know	24	10	15	16	35	35	30	19	12

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## GREENLAND ACCUSED OF DEMANDING TOO MUCH WITH NEW EC STATUS

Hamburg DIE WELT in German 10 Jun 83 p 24

[Commentary by Erich Hauser: "No Premium for Renegades"]

[Text] A recent discussion by EC ministers concerning Greenland's withdrawal from the European Community (EC) again ended in failure. One of the Danish journalists had no problem placing the guilt: "The Germans cannot help it. They simply lack experience when it comes to colonies that have been granted independence." As a matter of fact, Bonn has the biggest problem dealing with the desire of the 50,000 islanders to withdraw from the EC, because in recent years more than 30 percent of Germany's fish catches come from the coastal waters of Greenland.

Jonathan Motzfeldt the first head of state of an autonomous Greenland who has been in office since 1981, also believes that Bonn holds the key to the liberation from the yoke of Brussels. "We are willing to grant fishing rights to the Germans also in the future but only against payment, because the Japanese and others are already knocking on our doors and offering money for fishing rights." Whether the others are the Soviets was not disclosed by the diplomatic Motzfeldt, who participated in the Brussels meeting of ministers accompanied by his negotiator Uffa Ellemann-Jensen, the Danish minister of foreign affairs.

Since the Copenhagen government acted on behalf of its proteges on 19 May 1982 in Brussels, applying for the removal of Greenland from the community, the negotiations produced only one positive result for Ellemann-Jensen, the fact that nobody objects any longer to Greenland's right to withdraw. Instead it is to be granted the status of "Overseas Countries and Territories" (OCT) according to article 131 of the EEC Treaty. This status was to be used for those territories of earlier colonial powers among EC partners which had not yet been granted independence. Among these territories are the Falkland Islands, Martinique and others. Such territories are eligible for EC development aid, they enjoy reciprocal exemption from duty in the exchange of goods with EC countries and the same "settlement rights" for firms of all partner states as for firms of the former mother country.

o far only Athens has given unconditional support to Ellemann-Jensen's strategy, according to which "the negotiations on the status of Greenland must be conducted parallel with the negotiations on fishing rights against special payment." The enthusiasm of Greece's socialist government for the "oppressed Greenlanders" comes cheap because the Greeks do not fish in the North Atlantic. France, Ireland, Belgium and the Netherlands are willing to grant OCT status to Greenland if, in exchange for duty-free sales of Greenland's catches of fish on the continent, the EC fishing industry is permitted to retain certain fishing rights on Greenland's coasts, because the four countries realize that not only the Germans would have to be compensated for the loss of fishing rights proportionately to the remaining EC waters. Fishing rights on the coasts of Norway and the Faeroes would also be reduced, because the community granted the Norwegians and the Faeroese fishing rights on Greenland's coast as a compensation, something that will no longer be available in the future.

London is hesitant when it comes to granting OCT status to the Greenlanders, because British fishermen are already rebelling against duty-free fish imports from Canada, which were negotiated by Brussels in exchange for EC fishing rights on the Canadian coast. Bonn is also hesitant. The Federal Government is not sure how it can secure German fishing rights in the most economical manner.

Of course, there is disagreement about the OCT status and whether it would not automatically give the right to Greenlanders to sell their fish duty-free in the EC states. At least the Danes insist on it and the Greeks are inclined to agree. It would invalidate the German demand for negotiating fishing rights in Greenland's 200-mile zone in return for the special status. In other words, fishing rights would have to be bought in cash or leased. With the exception of the Danes and the Greeks, nobody in the EC sees anything good in the argument that the OCT status will force the Greenlanders to grant duty-free entry to shipments of goods from the EC states, because following its withdrawal from the EC, Greenland will have less money at its disposal, and consequently it will not be a desirable trading partner. Contrary to the illusion of the islanders, there are also no possible options for the exploration of petroleum or uranium at the present time. After all, if fishing rights have to be negotiated against payment, the FRG capital and London see no reason why Greenland should be granted the desired status--in the words of a German diplomat--"as a reward, so to speak, for withdrawing from the community."

What would be left? The Greenlanders would not receive any more EC money, except for direct payments for fishing rights. The Danes would be left to themselves to deal with their colonialist past. As a matter of fact, in recent years the 5 million Danes spent approximately DM 560 million annually in development aid for 51,600 Greenlanders. "It is enough to enable every Greenlander to live a life of leisure on Mallorca," the Danes complain. The EC is also subsidizing the islanders at a per capita rate which is much more generous than the amount given to any other backward EC region--hoping again and again to prevent the withdrawal. Between 1973 and 1981 Brussels paid in excess of DM 140 million in subsidies--money which has been written off--and it granted credit for an additional DM 110 million at favorable interest rates.

The island is ten times as big as the FRG. Between 1700 and 1953 it was a Danish colony, subsequently it was incorporated into the kingdom and in 1981 it was granted autonomy. "In 1973 we were duped into EC membership," was Motzfeldt's main argument preceding the referendum in February 1982, when 12,615 eligible voters approved the withdrawal from the community and 11,180 voted against it. Two factors played an important role: West German deep-sea trawlers had been caught by Danish inspectors in the 200-mile zone after they had caught more fish than permitted by quota. And the Faroese, who had also belonged to Denmark, had been granted autonomy in 1973 and they did not have to join the community but were able to establish their own 200-mile zone.

"We are not Europeans and we want to shape our own lives ourselves," is the formula which has been used again and again by Motzfeldt and other politicians of his Siumut party. The former pastor--as it were, Greenland was Christianized for a second time after 1700 by the Herrnhuter Brethren Church--is willing to put up with a less rapid growth in the standard of living.

The Copenhagen government is realizing more clearly than Motzfeldt that in addition to the elimination of or a substantial reduction in subsidies from Brussels, Denmark is no longer able either to increase its support to the same degree as has been the case to date because of the high state debt. At any rate, as long as Greenland remains "Danish" it will also be NATO territory. Following the most recent negotiations by EC ministers, a Danish diplomat made the following critical comment: "Bonn has not yet sufficiently recognized the security policy component." Since World War II the United States has had two military bases on Greenland, in Thule and Karsag, which are very important to the alliance for the surveillance of Soviet naval and air movements between Greenland and Iceland, particularly since Iceland's loyalty to NATO is subject to political fluctuations.

Bonn diplomats, however, are viewing such arguments in the light of "the cunningness which the Danes displayed in all of the fishing negotiations." If need be, Washington will have to pay for the right of military bases. Something else is conspicuous. In 1979 Motzfeldt was apparently asked by Copenhagen to back off when he made his first remarks concerning demands for money from the United States.

Until the 1950's the Greenlanders spent most of their lives hunting seals and selling their skins as well as raising sheep and reindeer. The change which has occurred since then is now the biggest problem. The rapidly growing fishing industry already represents more than 55 percent of the value of Greenland's exports. Lead and zinc constitute 40 percent. Subsidies from Denmark and the EC will be used to build up Greenland's cutter and trawler fleet, and according to current Brussels estimates, the fleet will be so large by the end of the decade that--because of a reduction in the total amount of fish that can be caught to protect fish reserves--practically no fishing quotas will be available for foreign countries. Nevertheless, the Federal Government intends to demand a 20-year fishing

agreement in return for granting Greenland the OCT status. Accordingly, the risk of a possible reduction in the total amount of fish available will have to be borne by both treaty partners.

Bonn is arguing that long-term planning is absolutely necessary for the German deep-sea fishing industry and that the fish-processing industry is depending on the fishing industry to provide jobs for a total of several tens of thousands of workers. Of course, according to rumors there are many guest workers on these ships, and even diplomats are questioning the value of these disputes, financially and politically. Apparently nobody has as yet checked into the possibility of gradually replacing the crews of these factory ships with Greenlanders. These ships could sail under the Danish flag and serve the fish processing industry in Germany's North Sea harbors. If Bonn would fight for the settlements of German shipping companies in Greenland and for duty-free privileges for fish shipments from Greenland, the whole problem could be solved in the most economical manner.

In the background of the Brussels negotiations is another factor which plays an important role. A withdrawal from the EC must not be rewarded, otherwise other regions, perhaps Corsica or Sicily or even states like Denmark, Greece or the United Kingdom, may be encouraged to withdraw. The amount of money Greenland is to receive as an OCT will have to be determined when the next European development fund is set up. Presumably it will extend over 5 years and is scheduled to begin on 1 March 1985. Considering the empty state treasuries of all of the 10 countries and the growing number of favored partner states of the Lome Agreement in Africa, the Caribbean and in the Pacific, the amount that will be left will be so insignificant that the Greenlanders will wake up some day and be very disappointed.

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POLITICAL

ICELAND

NEW FOREIGN MINISTER HALLIGRIMSSON ON PARIS NATO MEETING

Reykjavik MORGUNBLADID in Icelandic 11 Jun 83 p 2

[Text] "The meeting demonstrated a high level of agreement among the member nations," said Foreign Minister Geir Hallgrimsson in an interview with MORGUNBLADID, after two days at the meeting of foreign ministers from the NATO nations, which closed yesterday in Paris.

Hallgrimsson said that the state of international affairs was discussed yesterday, and that the decision of December 1979, concerning the deployment of mid-range missiles in Europe, in opposition to the Soviet SS-20 nuclear missiles, was confirmed.

"On the other hand, it was expected that it will be agreed in Geneva to cut back in nuclear weaponry, before it will come to the point that these NATO missiles will be set up, which ought to happen before the end of this year. It was announced that the various parties were prepared to continue negotiations.

"The topics of discussion included conditions in Poland and Afghanistan, and relations between East and West," said Geir Hallgrimsson.

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## PROGRESSIVE PARTY ALTHING GROUP AGREES ON FALL PARLIAMENT

Government Also Agreed on Schedule

Reykjavik MORGUNBLADID in Icelandic 11 June 83 p 2

[Article: "Parliamentary Group of the Progressive Party; Unanimous Opinion That Althing Will Not Meet Until Fall: Prime Minister Declares Government in Total Agreement"]

[Text] The parliamentary group of the Progressive Party agreed unanimously at its meeting yesterday to support its ministers concerning a proposal submitted within the government to the effect that the Althing will not meet until this fall. According to MORGUNBLADID's sources, Prime Minister Steingrimur Hermannsson declared at the parliamentary group meeting that despite the wishes of the majority of the parliamentary group of the Independence Party to have Althing go into session this summer, he knew that all ministers from the Independence Party agreed with him, that is that Althing would not convene until this fall. He also stated that Sverrir Hermannsson, minister of industry, who has stated publicly that he was in favor of a summer session, had changed his mind and therefore the government was united on this decision.

The decision about the date will be finalized when the Althing will meet at a cabinet meeting on Tuesday, but according to information MORGUNBLADID has received, the issue has not been discussed within the government since the parliamentary group of the Independence Party made its decision last Monday.

MORGUNBLADID asked Sverrir Hermannsson his opinion concerning the prime minister's statements and whether he would support the Progressive Party proposal. He answered: "Yes, the way everything is now, I will do that." Sverrir Hermannsson said he had changed his mind as time had run out. Right after the forming of the government I felt parliament should be called into session and I saw no reason not to follow it through and I had certain reservations such as the legal obligation concerning the budget and good rapport with the opposition. Now this has been worked back and forth so long that I have very little confidence that this will come to pass."

Olafur G. Einarsson, chairman of the parliamentary group of the Independence Party is abroad and he could not be contacted. Fridrik Sophusson, deputy chairman of the Independence Party, was asked about his opinion. He said,



among other things: "The chairman of the parliamentary group has expressed his interest in calling the Althing into session to discuss the provisional laws and elect speakers and working committees in the parliament. The party's ministers knew about these views. It now comes to light that the Progressive Party has rejected these recommendations. I regret that, of course. The decision on this issue is, of course, in the hands of the government and mainly in the hands of the prime minister who has the power to call parliament into session. I do not see any reason to discuss this matter until all the members of the government have met to discuss this further."

#### Hermannsson Reelected Party Chairman

Reykjavik MORGUNBLADID in Icelandic 11 Jun 83 p 2

[Article: "Annual Meeting of the Progressive Party Central Committee: Steingrímur Hermannsson Reelected Chairman"]

[Text] Tomas Arnason Not a Candidate for Treasury Position

Over the weekend Steingrímur Hermannsson was reelected chairman of the Progressive Party at the annual meeting of the central committee of the Progressive Party. Hermannsson received 88 out of 93 valid votes for the chairmanship. Halldor Asgrimsson was elected vice chairman with 84 votes, Gudmundur Bjarnason was elected secretary with 76 votes and Gudmundur G. Thorarinsson was elected treasurer with 90 votes. Tomas Arnason, former secretary of the party and former minister of commerce, was not a candidate for an office within the central committee and it can also be mentioned that he does not hold a seat on the board of the parliamentary group of the Progressive Party either.

Elections for the executive board of the party were also held. Eysteinn Jonsson, Thorarinn Thorarinsson and Helgi Bergs left the executive board and were not up for reelection. Jonas Jonsson, director of the Agricultural Society of Iceland, was not elected to the board. Jonas Jonsson was next on the list, followed by Jon Helgason and Johann Eivnardsson.

In the elections for the nine seats on the executive board the votes fell as follows: Hakon Hakonarson 51 votes, Hakon Sigurgrimsson 50 votes, Niels Arni Lund 48 votes, Ragnheidur Sveinbjornsdottir 48 votes, Thorsteinn Olafsson 47 votes and Dagbjort Hoskuldsdottir 44 votes. Ragnheidur Sveinbjornsdottir was elected vice secretary with 82 votes and Sigrun Magnusdottir vice treasurer with 22 votes.

Gudmundur Bjarnason, party secretary, is new on the party's executive board. Other new people are Niels Arni Lund, Thorsteinn Olafsson and Dagbjort Hoskuldsdottir. The chairman of the party is self-elected on the board, as well as the vice chairman, secretary, treasurer and the chairman of the Progressive Party's Youth Federation.

At the annual meeting the following political resolutions were agreed on:

"The annual meeting of the central committee of the Progressive Party, which was held 11-22 June 1983 is pleased that under the leadership of the chairman of the Progressive Party it proved successful to form a government which will handle with firmness and responsibility the economic problem the nation now faces.

The meeting emphasizes that there will be no deviation from the course that has been marked in economic and industrial affairs and the utmost justice will be observed and a special effort will be made to improve the conditions of those who have the lowest wages and largest families.

The central committee also emphasizes that a new progress with well prepared investment plan, practicality in public operations and effective administrative system will be resumed immediately. On the basis of secure economic and industrial life, full employment will be secured and the conditions improved."

#### Paper Views Prospects for Party

Reykjavik MORGUNBLADID in Icelandic 14 Jun 83 p 3

[Editorial: "After the Progressive Party Meetings"]

[Text] The parliamentary group of the Progressive Party met last Friday to discuss whether to call a summer session of the parliament on the occasion of the formation of a new government and its provisional laws, and to elect parliamentary officials and committees that work all year around such as the Appropriations Committee and the Foreign Relations Committee. The conclusion of the meeting of the Progressive Party was that the parliamentarians unanimously agreed that it was not necessary to call parliament into summer session for this reason. It can be asserted that the resolution of the parliamentary group on this issue is not in much agreement with the present day ideas of people about the working methods of the legislative assembly. To be sure, nobody need be surprised that these ideas do not get much support within the Progressive Party.

An overwhelming majority of the parliamentarians wants to call the Althing into session as soon as possible but that power is in the hands of Steingrímur Hermannsson, prime minister and the chairman of the Progressive Party.

The resolution of the Progressive Party was to support earlier statements made by the prime minister to the effect that the parliament should not meet. It is strange that the ministers do not want to use the forum which offers them the best opportunity to explain the status of the national affairs, the serious outlook and the government's solutions, during the first weeks of the coalition government, when the public has the greatest interest in learning about the new perspectives that were created with the formation of the government.

In the election of 23 April the Progressive Party did not fare well, especially not in the heavily populated area of the southwest corner of the country. And after the elections the party has only one member of parliament, Ólafur Jóhannesson, representing a great number of people in Reykjavik and the

Reykjanes electoral district instead of three members before. Olafur Johannesson is respected by many but is now about to retire from politics because of age. Reports of infighting within the representative council of the Progressive Party in Reykjavik indicate that those who have supported Johannesson there lost in the election for chairman some days ago. At the meeting, representatives from SIS [the Federation of Icelandic Cooperative Societies] were in complete charge and evidently intend to cut out for themselves a piece in the Progressive Party in the metropolitan area equal to that in the region where the SIS power is in complete charge.

Thorsteinn Olafsson, representative for the director of SIS and former assistant to Hjorleifur Guttormsson [former PA minister of industry] in the Ministry of Industry, was in charge at the meeting of the representatives. With that in mind it is noteworthy that Thorsteinn Olafsson was elected to the executive board of the Progressive Party at the annual meeting of the central committee of the party over the weekend, and overthrew Harladur Olafson, among others, who is Olafur Johannesson's alternate in the parliament. It should also be mentioned that Tomas Arnason, who lost to Halldor Asgrimsson in the primaries in the Austurland electoral district, felt in best not to stand for reelection as secretary for the Progressive Party. Gudmundur Bjarnason, member of parliament, was elected secretary but did not get a ministerial seat because of the opposition of Ingvar Gislason [former minister of education, PP].

The Progressives now rally behind their chairman when it comes to not calling the Althing into session. But within the Progressive Party, reshuffling, which is not without pain, is taking place which probably is the deciding factor that the party does not feel it can attend the Althing now.

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MORGUNBLADID: NEW GOVERNMENT MAY HAVE IMPROVED U.S., NATO TIES

Reykjavik MORGUNBLADID in Icelandic 5 Jun 83 p 4

[Editorial: "Veto Power Relieved, More Differentiation Results"]

[Text] Definite differentiations in opinion resulted in Icelandic foreign affairs discussions when Olafur Johannesson came in as foreign minister on 1 September 1978, and the People's Alliance took a seat in a government which did not have as its goal to break off our cooperative defense effort with the United States. Two times previously, since the defense agreement was made--in 1956 and 1971--the People's Alliance has had ministers in the government, and both of these governments did have the goal of breaking off the defense agreement. In neither case did their plans come to fruition. At the beginning of 1974, before the latter of these governments was driven out, a historical number of signatures were collected under the watchword of "Defended Land," in which 55,522 voters expressed their opposition to the government's untimely plans in defense matters and thus opposed, by their signatures, the platform of the People's Alliance.

When the People's Alliance formally established itself as opposed to the stationing of the Defense Force in Iceland at its assumption of power in 1978, it was given the power of vote over most kinds of action. In February 1980, a new government was formed, with the People's Alliance participating, without the defense agreement coming into question. One of the party's veto demands did go through, though, having to do with a new airstrip at Keflavik airport. It should be said that that particular demand was the only decision of the previous government which had remained on the books all the way through that government's term. Olafur Johannesson, foreign minister, made it known more than once that he was not reconcilable to this veto but that he would support it nevertheless. He managed defense matters such that no one sought the expertise of the People's Alliance in other areas for the whole time, such that it was seen to that the veto against progress on the airstrip did not affect the agreements which earlier governments had made with the American government concerning the financing of these necessary projects. It is the general opinion in all of the parties except the People's Alliance that Olafur Johannesson acted well in this sensitive matter and that he made decisions which protected our future security.

When the government of the Progressive Party and the Independence Party was recently formed, the veto power of the People's Alliance in security matters was eliminated. But nevertheless a more important differentiation resulted. Geir Hallgrimsson, chairman of the Independence Party, took over the position of foreign minister. He is the first Independence Party member to be the head of the Foreign Ministry since Bjarni Benediktsson vacated that office 30 years ago. All through these three decades, the Independence Party has had agreement in its ranks as regards foreign affairs, and has never wavered from its main goal--that the security of our nation and people ought to be determined solely by reference to our security needs.

The development of security matters in our part of the world has unfortunately been such that the military importance of Iceland has increased because of our geographical location and the ever-increasing presence of the Soviets in the air and on the sea in the northern Atlantic area. Even members of the People's Alliance have actually admitted that defense cooperation with the United States within the framework of Iceland's participation in NATO is necessary, although the platform of the People's Alliance still retains items on security matters which have been approved by thinkers from the Warsaw Pact.

The Independence Party has never agreed to the veto of the People's Alliance in any branch of foreign affairs, and in security matters least of all. It is not unlikely that the People's Alliance members will try to avenge their wounds against the Independence Party members in this complex of issues in accordance with the equivocation which is characteristic of the People's Alliance, whether it is participating in the government or not. No one can doubt which of the two would have the best advantage if the People's Alliance should challenge the Independence Party in this area. The Independence Party bears an unblemished escutcheon. The People's Alliance needs time to gather its weapons together, besides the fact that it is necessary for the party to prove, after the challenge is issued, that it is not a kind of "Russian branch office" in this field, to use the words which were foremost in the mind of the vice-chairman of the People's Alliance when Svavar Gestsson tried to form up a government.

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CSO: 3626/40

## SOVIETS PRESENT RECORD REQUESTS FOR SHIP RESEARCH VISITS

Reykjavik MORGUNBLADID in Icelandic 4 Jun 83 p 40

[Text] Soviet authorities have been making more requests for research ships to conduct operations inside of Icelandic jurisdiction than they have ever made before. Since the beginning of the year, 13 to 15 permission requests have been issued, according to MORGUNBLADID'S sources. Some requests refer to more than one research project for the same ship, meaning that it would come into our jurisdiction more than once during the year. The research tasks which the ships are said to be assigned to are of various types. Most of the Soviet ships, according to the requests, are planning to be here in June and the beginning of July.

If we look over the numbers of Soviet research ships coming to Iceland since the time when they began to make regular visits, since 1974, it becomes apparent that in 1975 seven ships were permitted to conduct research inside of Icelandic jurisdiction; in 1976, twelve ships; in 1977, twelve ships; in 1978, four ships; in 1979, four ships; in 1980, seven ships; in 1981, four ships; in 1982, seven ships. During the first part of 1981, there were three Soviet research ships in the Reykjavik harbor at the same time, with a total of 301 men on board.

The Soviet ships need permission both to conduct research inside of Icelandic jurisdiction and to enter her harbors. The research projects are of various types. Some study fish speciation and others ocean currents. The approval of various domestic authorities is necessary for the research permits, although the Foreign Ministry issues the permits.

There is no doubt among the Western nations that Soviet research ships study not only meteorology, oceanography and ichthyology, but that they also throw in some military research. Some of the research ships are equipped such that long-distance communications can be monitored from them, and they can operate various types of equipment on the ocean floor, or install it there.

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CSO: 3626/40

## PAPER VIEWS WOMEN'S PEACE MOVEMENT, SOVIET PROPAGANDA ROLE

Reykjavik MORGUNBLADID in Icelandic 1 Jun 83 p 26

[Editorial]

[Text] The official foundation of the Icelandic Women's Peace Movement has been a long time coming. But it finally happened, at a meeting at the Nordic House on Friday, and it will be getting a headquarters for its peace efforts at Hallveigarstadir. The Women's Peace Movement here in Iceland bases its efforts on a manifesto which 27 leading women from various organizations and political parties signed and made public in October, 1982. The manifesto does not refer to issues which have been the source of political strife domestically, since the cooperative efforts of the women aim at reaching the maximum number of people, without reference to political affiliation. They plan to send out from the headquarters of the movement information publications on peace efforts in depth, military preparations, disarmament and various topics relating to security matters.

Their purpose is to awaken the interest of Icelandic women in peace issues. Few topics have been discussed more in the international arena all over the world for the past few years, and the more people who occupy themselves in spreading information about war and peace, the more reason there is to attempt to increase people's understanding of the complicated and difficult issues in this area.

There is a fierce propaganda battle currently being waged between East and West over this issue. In this battle, everything is not what it seems, though it may be easy for certain very wise parties to differentiate between truth and untruth in this area. And it is worth remembering that the Security Committee, which works on behalf of the government, has been conducting informational operations in this area which have as yet engendered no criticism.

The Educational and Peace Committee of Icelandic Women (MFIK) has been in operation here in Iceland for some years. This committee is branded by the fact that the "peace" which they are working for is the Soviet version of "peace." Leaders of the MFIK did not even see any reason to criticize the Soviet invasion of Czechoslovakia in August of 1968. The MFIK believes that the accounts of the free world's media in the Western nations do not give an accurate picture of the military actions of the Soviets in Afghanistan. Such

positions always involve an eagerness to excuse military violence on the part of the Soviets. Novosti, the propaganda department of the Soviet embassy in Reykjavik, has looked after the spreading of MFIK's "message of peace," and ambitious souls working with the committee publish the newsletter NEWS FROM THE SOVIET UNION on behalf of Novosti.

There is no doubt that those who have the greatest interest in the Educational and Peace Committee of Icelandic Women will be trying to misuse the women's peace movement here in Iceland. There is no cause for argument on that score. MORGUNBLADID warns against such misuses, because it does not promote peace or freedom. When the Women's Peace Movement was first gaining momentum last fall, the members of the women's peace group who were opposed to the military base tried to get their colleagues to sign a non-critical statement from abroad. This request was rejected, and thus a foundation was laid for that sensitive trust which the Icelandic Women's Peace Movement will have to draw upon if their efforts are to accomplish anything.

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## BRIEFS

OFFICER ELECTIONS FOR SDP, PA--The parliamentary groups of the Social Democratic Party and the People's Alliance have elected their chairmen and secretaries. The parliamentary groups of the Progressive Party, the Alliance of Democrats and the Alliance of Women's Lists have not finalized the elections but according to information MORGUNBLADID has received, that will be done soon. MORGUNBLADID has already reported on such elections within the parliamentary group of the Independence Party. Eidur Gudnason was elected chairman for the parliamentary group of the Social Democratic Party and Johanna Sigurdardottir was elected deputy chairman. According to information MORGUNBLADID received, they were self-elected as there were no other candidates. Karvel Palmason was elected secretary by four votes, Karl Steinar Gudnason received three votes and Jon Bladvin Hannibalsson received one vote. The parliamentary group of the People's Alliance elected its leadership the day before yesterday. Ragnar Arnalds was elected chairman, Svavar Gestsson deputy chairman and Steingrimur Sigfusson secretary. [Text] [Reykjavik MORGUNBLADID in Icelandic 3 Jun 83 p 11] 9583

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## CONSERVATIVES' CHIEF ADELSONH URGES COOPERATION FROM MIDDLE

Stockholm DAGENS NYHETER in Swedish 8 Jun 83 p 6

[Article by Dick Ljungberg]

[Text] "I think it is the duty of the three nonsocialist parties to avoid unnecessarily raking up any differences on issues or personalities that could damage the basis for cooperation in the long run." That is what Conservative Party leader Ulf Adelsohn said after the conclusion of the parliamentary year.

This was Ulf Adelsohn's first year in parliament. Before he settled down there, he was somewhat dubious about how he would like it. How did it go?

"I must admit that I am now more impressed by the expertise and breadth of Riksdag members than I was before. But at the same time the work is cumbersome, the debates lack fire. The speaker should have a greater opportunity to shorten debates, as is the case in the English Parliament."

But Adelsohn has not seen any signs of new political ideas. The Social Democrats continue to raise taxes, increase the budget deficit, introduce more controls and regulations, strengthen the power of the organizations and put the money they are piling up into AMS [National Labor Market Board].

Not Responsible

The Liberal Party is now fighting for its political life and Thorbjorn Falldin is thinking of devoting his energy to outlining the Center Party's profile. Will it be possible to create the impression of a nonsocialist government alternative before the 1985 election?

Adelsohn does not feel that he, as leader of by far the biggest opposition party, has any special responsibility for the nonsocialist bloc.

"The election gains require that we have a good and well-considered policy. And during this year we have further developed our policy in many areas and shown that we are no longer playing on the Social Democrats' home turf," said Adelsohn.

"But we must not try to dominate the other parties. The middle-spectrum parties have had their losses and I think the three nonsocialist parties ought to present their special issues now, after a number of years of compromising. That is a right one has in the opposition.

#### Conservative View in Middle Parties

"But my experience is that if one builds up good personal relationships and tries to avoid raking up unnecessary confrontations one can find the basis for cooperation," said Adelson,

"My goal is that no special issues come up that divide the parties so strongly that it will be hard to unite on a liberal alternative. It is hard for me today to see any issues that we could not reach compromises on through a process of give and take."

Adelson sees signs that the Center and Liberal parties are now beginning to approach the Conservatives' viewpoints on such things as savings cuts to reduce marginal taxes and on criticizing the onesided emphasis on AMS.

"The tax agreement, which broke up the nonsocialist three-party government, now seems on the way to being totally torn apart by LO [Swedish Federation of Trade Unions] and the Social Democrats. It is hard for me to see that the middle parties would have to stand fast with the agreement, if only the limits on deductions remain."

Adelson maintains that the differences in the nonsocialist camp are not as great as those within the ranks of the Social Democrats.

"They are divided up into thrifty people and big spenders, while we agree that it is absolutely necessary to save. With us, it is a difference of degree; with them, it is a difference of their very natures."

During the government years, the Conservatives found it easier to work with the Center Party than with the Liberals. Ola Ullsten is not a popular man in Conservative circles.

"It is almost a historic truth that Gosta Bohman had much better relations with Falldin than with Ullsten," said Adelson, "It has perhaps been easier for me to work together with Ola.

"The Liberal Party has tried to flirt with the Social Democrats and has had its ears boxed many times for doing so. But recently it has seemed to me that the Liberal Party has stressed nonsocialist concepts more clearly, as shown, for example, by the recent interview with Bengt Westerberg (newly-elected to the leadership of the Liberal Party). And I know several people from the government period who like him.

"In almost every big Riksdag debate, Ola Ullsten has devoted several pages to attacks on us Conservatives, something Thorbjorn Falldin has not done. There have been no attacks in my own speeches against either the Liberals or the Center Party.

"And on the question of Carl Bildt's trip to Washington, the Center Party adopted a considerably more balanced attitude than Ola Ullsten did. It is clear that this kind of thing is being noted by our people," said Ulf Adelsohn.

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## KGB OFFICIALS VISITED STOCKHOLM BALTIC STUDY MEETING

Stockholm GNISTAN in Swedish 16 Jun 83 p 4

[Article by Thomas Kanger: "KGB Agents in Sweden Among Baltic Scientists"]

[Text] The Baltic Institute in Stockholm held its seventh scientific conference 10-13 June. There were 100 academicians from the entire world present, including a group from Estonia, Latvia and Lithuania. There were also three KGB men present.

The last time the Baltic Institute held its scientific conference, GNISTAN (20/81) disclosed that a known KGB man, Anatoliy Baranovskiy, participated in the preparatory work. The scandal was a fact, and the disclosure caused Baranovskiy's removal from his post as chairman of "Latvia's Committee for Cultural Relations With Countrymen Abroad," a cover organization for KGB activity in the West.

This time the Baltic Institute made an effort, surely because of its experiences, to keep direct KGB influence out. But they had to allow at least three KGB men to participate in the conference. The following is the background:

The Baltic Institute was created in the 50's in Stockholm to support independent research about Estonia, Latvia and Lithuania, which since World War II have been occupied by the Soviet Union. The reason was that such research could not be conducted within these countries.

#### Changed Tactics

The activity was naturally an annoyance for the Soviets, which had its propagandists hound the institute and the critical Baltic people. The propaganda, however, had mostly the opposite effect, it welded the Baltic people together. Therefore the KGB changed its tactics.

Through the cover organizations "Committees for Cultural Relations With Countrymen Abroad" (hereinafter called Cultcom) the KGB began the effort in

the mid 1960's to neutralize and "turn around" the Baltic people in the West. The was then to embrace them, using flattery and offers to pay for their travel home to visit.

The condition for visiting home and getting the free KGB treatment was, however, that all anti-Soviet activity must stop. The KGB plan was worldwide and long range.

In the beginning of the 80's the KGB tactic finally succeeded with the previously very critical Baltic Institute. The Institute began to cooperate with "Cultcom" organizations in the Baltic states, dropped the scientific requirement and refused to get involved with "sensitive" subjects, meaning circumstances surrounding the Russian occupation.

A group of Swedish-Baltic scientists, with historian Uldis Germanis and social democratic leader Dr Bruno Kalnins in charge, tried to oppose this development, but were finally forced to give up the battle. The group all left their posts in the institute in protest.

#### Risk a Choice of Subjects?

Several days ago the seventh scientific conference was held, and this time the Baltic Institute did not dare admit the KGB people as freely as the previous time. The choice of subject for the conference was, "The national movements in the Baltic countries during the second half of the 1800's," somewhat more venturesome than for the previous conference.

But even if KGB did not participate in the preparations, they were still there. In the more than 20-man delegation from the Baltic countries, there were at least 3 KGB men, all provided with charming academic titles.

KGB agents Vilis Samson, Janis Vejs and Heinrichs Strods were all called "Doctors of Philosophy."

Their mission in Stockholm was partly to keep control over the other Baltic participants during the conference, partly to overhear what was said during the lectures. Furthermore, opportunities to make contacts with participants from the West were of great importance.

This is how openly KGB men can act in Sweden today.

Footnote: The new leader of Latvia's Cultcom, following Anatoliy Baranovskiy, who was unveiled by GNISTAN, is Albert Liepas, the man who last spring was expelled from Sweden accused of espionage.

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DEFLECTIONS HIGHLIGHT COMMUNIST YOUTH ORGANIZATION CONGRESS

Stockholm NY DAG in Swedish 2 Jun 83 p 8

[Article by Lena Anderfeldt]

[Text] "It was a good congress. The most important decision was the guidelines that were adopted for activity up until the next congress in 1987. They underlined the fact that our political course remains firm."

So said Stellan Hermansson who was re-elected chairman of Communist Youth at the KU [Communist Youth] congress 3 weeks ago.

He is critical of the three members of the organizational committee who defected at the congress, but does not think too much attention should be given to this:

"On the last day of the congress, there was a manifestation of unity."

The major statement that was adopted, "Youth in the fight for work, peace and anti-imperialist solidarity," indicates what KU should work on during the next few years. In the fall, for example, a campaign will be launched for KU in Chile, on the occasion of the 10th anniversary of the overthrow of Salvador Allende.

"In the guidelines that were adopted, we also stressed the schools more strongly as a sphere of activity. SAF [Swedish Employers' Confederation] is quite right in saying that the battle for youth must be waged in the schools and unfortunately SAF and the Conservatives have a head start there," said Stellan Hermansson.

## Women

He is glad that the congress developed KU's view on the feminist struggle, which has now been assigned its own role alongside the class struggle as a fight against patriarchal oppression.

About 47 percent of the members of KU are women. At the congress, 43 percent of the delegates were women and 10 women, out of 25 regular members, were elected to the organizational steering committee.

"We also adopted a new international resolution," said Stellan Hermansson.

"It did not contain any change of course but emerged from what has happened in recent years and it defined and developed our view of the socialist countries."

Stellan Hermansson stressed that international solidarity and anti-imperialism are deeply rooted in KU. As a sign of this and of the fact that there is a good activity within KU, he noted that the congressional campaign brought in 175,000 kronor for the liberation movement in El Salvador. The goal was to collect 50,000 kronor.

The foreign representation was also the biggest ever at a KU congress, with guests from 35 organizations.

## Defection

With regard to the defections from the steering committee, Stellan Hermansson noted that they occurred after the proposal on election preparations was approved by the congress.

"It was very wrong of them to resign after they had been entrusted by the congress to sit on the steering committee," he said.

"No big political differences lie behind these defections. The congress confirmed the old line. But of course there is a spectrum of opinions within the organization with regard to such things as how KU should conduct its activity in the schools, how far we should go in criticizing the socialist countries, etc.

"This will create problems in that three districts now lack representation. We have been in touch with these districts to discuss how to solve the problem and have been able to solidify the decisions of the committee.

"But I am not worried," said Stellan Hermansson. "On the last day of the congress, solidarity was manifested and there is a tremendous determination in the organization and among the new leaders to solve this problem."



Henrik Smith, Defector: We Wanted to Emphasize the Differences

"By resigning from the steering committee, we chose to point up the differences that exist within KU, with respect to the position on the policy of VPK [Left-Communist Party]. Now the differences can be discussed and resolved."

So said Henrik Smith, who together with two other members of the KU steering committee resigned his post after having been elected by the congress.

Henrik Smith has been on the KU committee for some time and until quite recently he was chairman of the Skane branch of KU. The two other defectors are Maria Bruun, who has also been a committee member for some time and is a delegate in the Bohuslan-Norra Alvsborg branch of KU, and Eva-Lotta Larsson, who was newly elected to the committee and is chairman of the Malmo branch of KU.

#### Culmination

"The congress was the culmination of a protracted development within KU," said Henrik Smith.

"Even at the congress before this one, there were forces that wanted to distance KU from VPK policy. These forces became stronger in the period between the two congresses. This was expressed most clearly in the so-called delegates' letter, in which some KU officials wrote to the steering committee and asked that it take a stand against the party's way of handling the issue of Poland.

"Some of the resolutions passed at the congress also indicated a strong opposition to VPK policy," said Henrik Smith. "For example, this was true of the stand on the peace issue, where the congress was not prepared to give the Soviet Union any responsibility at all for the continuation of the arms buildup. KU has addressed itself only to NATO's Cruise missiles and Pershing 2's. A proposal to also take up the Soviet SS-20's was defeated by 95 votes to 54.

"This negative development in KU was expressed most clearly at the congress in the proposal to the steering committee in which those who obviously opposed moving away from VPK policy were reduced to 3 out of the 25 regular members, while 5 of those who signed the delegates' letter were included.

#### Hostages

"We begged for other candidates, among them the chairman of the Stockholm branch of KU, which is the largest district. When the election preparation proposal went through, we decided to resign. We did not want to remain as hostages," said Henrik Smith.

About 10 of those who were nominated as alternates also defected at the same time.

"To resign was the only political alternative in order to preserve the will to continue political activity in our own districts," said Henrik Smith.

"Now we will continue to strengthen them. It is in our districts that KU's development opportunities exist. The Skane branch of KU also won the membership recruitment campaign the group held prior to the congress."

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## STATISTICS ON DELEGATES TO COMMUNIST WORKERS CONGRESS

Lulea NORRSKENSFLAMMAN in Swedish 27 May 83 p 14

[Text] Stockholm--The report by the Mandate Commission--in other words, the statistics on delegates to the congress--is always interesting reading.

The Mandate Commission's report on the 27th congress goes as follows:

Number of delegates, regular members and deputies on the party board and on the Examination Committee	158
Number authorized to vote	141
Number of men	109
Number of women	32
Distribution by age:	
Under 25	2
26-35	41
36-45	35
46-55	17
56-65	27
66 and over	19
Average age	44.3
Youngest delegate	22
Oldest delegate	76
Average length of time in the party	16.6
Delegate with the longest period of party membership	55
Organizational affiliation:	
LO [Federation of Trade Unions]	78
TCO [Central Organization of Salaried Employees, civil servants' division]	38
SACO [Confederation of Professional Employees]	11
Unaffiliated	14

And 50 delegates held 84 union positions.

Members of other organizations:

Tenants' Association	58
Cooperative/OK [expansion unknown]	106
Swedish Peace Committee	118
Swedish-Soviet League	99
Swedish-GDR League	55
Sports organizations	27
Immigrants' organizations	6
Other friendship societies	36
Other organizations	71

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## BOOK REVEALS HERETOFORE UNKNOWN FACTS ON COMMUNIST MOVEMENT

Stockholm SVENSKA DAGBLADET in Swedish 16 Jun 83 p 16

[Article by Sten Carlsson: "Communism in Sweden Mapped"]

[Text] The origin and development of Swedish communism has recently been studied in a special feature issue which is part of the series "Information from the Archives and Library of the Labor Movement." Certain parts of it are based on material which has never previously been used in historical research.

Swedish communism in the general European perspective stands out as being relatively weak. During the period between the wars it was restrained to a rather large degree by internal fragmentation. In the 1936 election for the Lower House, however, both communist parties succeeded--one of which in 1934 had taken the name Socialist Party of Sweden--in coming up to almost eight percent of the votes, their highest mark so far. But in the 1940 election, when the memories of the Finnish Winter War were still very much alive, their strength was cut in half. It rose again after Stalingrad. In the 1944 election for the Lower House the communists, then united in one party, won over 10 percent of the votes, and in the 1946 county council and electors election, over 11 percent. Then it went down as a result of the Prague coup in 1948 and the cold war. A low point came in 1968, following the events in Czechoslovakia. Then the communists received only three percent of the votes. Since then the party has been able to stabilize itself a bit above the critical four percent level. As is known, the communist Riksdag group, despite its small size, has been able to influence important Riksdag decisions on more than one occasion.

Within historical and social science research, Swedish communism has become rather closely watched. The number of doctoral dissertations and corresponding work has been significant. The nonsocialist parties, considering their current political importance, have not been subject to a similar amount of interest. It should be added that most of the research into communism has been carried out by persons who themselves are not communists.

The existing situation has been summarized in a special feature issue called "Kommunismen i Sverige" [Communism in Sweden], a part of the ambitious series "Meddelande från arbetarrörelsens arkiv och bibliotek (24-25)" [Information from the Archives and Library of the Labor Movement], edited by Marie Hedström and Klaus Misgeld. Misgeld wrote the introduction. The archives of the labor movement has a special responsibility for the history of communism, since in 1977 the Left-Party Communists under the leadership of C. H. Hermansson decided to deposit almost all of its party archives in the archives of the labor movement. The special feature issue deals partly with research material which has already been published, and partly with new experiences found within the party archives. There is also a bibliography. A selection of contributions will be presented here.

In the spring of 1917 Sweden's Social Democratic Left Party was created through a breakout from the Social Democratic Party. After a difficult schism the majority in 1921 took the name Communist Party of Sweden. Its present descendent has, since 1967, had the name Left-Party Communist. The revolution year 1917 can also be considered to be the year of the party's birth. Stockholm historian Lars Björlin, who is preparing a dissertation on the early history of communism, emphasizes in one of the most important articles of the special feature issue that the split within the Social Democratic Party was a fact as early as 1916, although it was a year later before the divorce was announced.

The split was preceded by a rather prolonged tactical maneuver. It is worth noting that party leader Hjalmar Branting for a long time recommended an amicable settlement with the possibility for the radical minority to formally remain in the mother party, while Per Albin Hansson, among others, continued an unrelenting line. Since Hansson at that time was well to the left of Branting, it would have been natural to expect them to have opposite roles. Björlin does not go further into this question. The explanation would seem to be to look for a long term personal opposition between Hansson and the strong man of the minority, Zeth Hoglund--an opposition which remained even after Hoglund passed away in 1926. Hoglund was no rival to Branting for power, but for Hansson he was inconvenient. With his generally practical attitudes, Hansson was probably skeptical of Hoglund's more theoretical positions.

Within a short time Hoglund himself was attacked from the left, by Karl Kilbom among others, and in 1924 a new party split took place. The period 1921-24 was the object of a thorough investigation by Erland F. Josephson in a dissertation which was presented in Uppsala in 1976. It shows among other things that Hoglund, in opposition to the gentlemen in Moscow, advanced the cause of decentralization and national independence, while on the home front he was a centralist and authoritarian. A line of division among many was over religion, which Hoglund--athiest with a background of Free Church--wanted to consider as a private matter. Josephson's faculty opponent Aleksander Loit considers that the author has underestimated the importance

of the ideological factors of the party split. Such theoretical scientific and philosophical opposition is pretty much inevitable in all debates about marxist politics. The veteran political scientist from Lund, Kent Lindkvist, goes rather for the ideological line, when in 1982 he argued in a dissertation about the program and ideology of Swedish communism from 1917-1972. For a nonmarxist the cultivated ideological reasoning sometimes seems rather unpalatable.

In theory communism was favorable to women, but in practice it was strongly dominated by men. Evy Gunnarsson has, however, started a number of communist women's activities during past years. They have not always been so popular on the masculine side. One of the leading men of the party, Fritjof Lager, explained at the 1936 party congress that certain party comrades thought it was embarrassing to have to take over household duties, while the wives went to meetings or participated in demonstrations. It is noteworthy that Kerstin Moberg's dissertation on the organizing efforts of domestic servants, presented in Uppsala in 1978, was entirely passed over in this otherwise factual study.

From the start the communists were burdened in many areas with the suspicion of being potential traitors. The suspicion reached its high point during the Winter War. Based on a newly published major work, called "Hemmakriget" [The War at Home], Karl Molin--previously active in Stockholm, now in Uppsala--reported how the government and military authorities during the Winter War and even during the period 1941-43 ordered a total of about 600 communists into so-called labor companies. They were not "concentration camps"--their conditions were not so much different from ordinary conscripts, and relations with the officers were apparently decent. A few seem to have been proud of the attention paid to them, but many considered the order discriminatory and psychological pressure.

One of those involved, Per Francke, has several bitter memories from such a company. He did not mince words; one of the expressions he used was "Butcher-General Mannerheim."

In order that the proportions will be correct, Molin's and Francke's contributions should be compared with Yvonne Hirdman's article, which has the greatest news value in the special feature article. She debated in Stockholm in 1974 in a dissertation concerning Sweden's Communist Party of 1939-45, in which she showed how difficult it was for Swedish communists to adapt themselves to the different changes of course in Moscow. Now she is publishing some excerpts from internal party documents 1939-45 which show how far the Swedish communists were ready to go in their solidarity with the Soviet Union. The western powers were marked at that time as the aggressors, while the threat from Germany was considered to be remote, at least for the time being. Fritjof Lager explained in October 1939 that Sweden could expect to move into a situation in which, for the general advancement of socialism, it was important for the communists to oppose Swedish nationalism and national

independence. Other statements point in the same direction. The communists also looked forward to close cooperation with Otto Kuusinen's Finnish People's Front Government. The disappointment was therefore great when the Soviet Union in March 1940 repudiated Kuusinen and made peace with the "butchers" in Helsinki. It is clear that in 1939-40 there were communists who were fully ready for treason.

That can not be said of today's Swedish communists, who to a rather large extent have freed themselves from Moscow. On the other hand their attitude toward democracy is still unclear. Hakan Holmberg, who debated in Uppsala in 1982 in a dissertation about Swedish communists and democracy, said that the communists, to judge from their own statements, after a highly possible victory in Sweden, certainly could permit certain opposition but never would abandon their leading role in society. Holmberg's faculty opponent Lars-Goran Tedebrand believes that Holmberg has generally underestimated the Swedish communists' ideological independence, but does not refute his overall view. Seen internationally it is also true that a communist regime could never let go of power. Fascist regimes can be replaced by democratic, as happened in Greece, Spain and Portugal, but in the countries where the communists have gained power, the door is closed. To a large extent, communism is a doctrine of power.

A noteworthy profile in recent Swedish communism is Bo Gustafsson, currently professor of economic history at Uppsala. He has adopted various communist standpoints and at times has been a maoist, but is currently a social democrat; personally he makes a particularly ordinary and unrevolutionary impression. He now speaks in a very lively way of different actions and about impressions from a visit to China, where he, as in the DDR, became alternately enthusiastic and thoughtful. He reports also of a meeting at a cafe in Stockholm some time after the 20th party congress in the Soviet Union in 1956 with C. H. Hermansson and Lars Werner, among others. At that time Hermansson appeared "rather disillusioned, almost a little cynical." At the cafe he took a white napkin and drew a large circle and a smaller circle. They represented social democracy and communism. Then Hermansson drew a new circle, which joined the little circle with the left part of the large circle. According to Gustafsson he later pleaded that the party's new name should be the Left Party, not the Left-Party Communists. It is noteworthy that they have not freed themselves from the designation communist, with all of the associations with mass deportations, mass executions, slave camps and military brutality which that term awakens even among many people who stand rather far to the left. It is almost due to the other parties' many failures that the communists have managed to defend their place in the Swedish Riksdag. But certainly the political leader who must carry the banner of communism in the Europe of the 1980's must be "almost a little cynical."

9287

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## SWEDEN, SWITZERLAND COOPERATING ON ARMOR-PIERCING SHELL

Stockholm SVENSKA DAGBLADET in Swedish 29 May 83 p 6

[Article by Erik Liden: "Swedish Weapon Sensation at Paris Show; Missile Penetrates all Armor"]

[Text] Paris--The major sensation at the Paris Air Show is that Forenade Fabriksverken [United Factories], FFV, is preparing a cooperation agreement with the Swiss firm of Oerlikon in Zurich for a completely new antitank defense system.

The system has a unique missile which penetrates all known armor.

"We have already notified the Swedish government of our cooperation plans with FFV," says the project leader, Dr Daniel Berger, to SVENSKA DAGBLADET in Paris.

"We test fired the new missile against armor as late as 11 May of this year in Florida and the penetration power was impressive. Due to a combined radar and laser system which cannot be jammed, the probability of hitting is very high."

The speed of the missile is three times that of sound, which makes it five times faster than the TOW missile and other controversial antitank missiles. In ADATS (Aero Defense, Anti-Tank System), as the new system is called, Robot 70 could get a supplementary weapon with all-weather features.

## Eight Kilometers

In addition ADATS's range is 8 kilometers, as compared to 4 for TOW and Hellfire. The airborne time against a target 4 kilometers away is 4 seconds for ADATS, compared to 20 seconds for TOW. Since ADATS will be operative as early as 1985, the Army's antitank helicopters can be equipped with the new FFV-Oerlikon system even when the first 20 helicopters are delivered in 1986.

According to unanimous information from the Paris show, the Army order is leaning toward Westland Helicopters in England, which as early as 1 July will submit a bid for a total helicopter system for the Swedish defense worth 1,200 million Kronor up to 1995.

FFV-Oerlikon anticipates an announcement of their cooperation plans, in the long range valued at 2 to 4 billion kronor with export possibilities, in January 1984.

An ADATS missile is more expensive than a TOW, which today is delivered from the United States to Sweden, but since ADATS can eliminate the effects of active armor-plating, among other things, and can manage to penetrate 90 centimeters, there is much indication that in the future TOW armament will be used only as a complement to ADATS and other modern missile systems.

The government takes a positive view of the FFV development within the State-Owned Companies group.

11949

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## RESEARCH, DEVELOPMENT OUTLAYS IN 1983 DEFENSE BUDGET

Bonn WEHRTECHNIK in German Jun 83 p 80

[Article: "Research, Development Outlays in 1983 Defense Budget: Defense Research at a Disadvantage"]

[Text] Expenditures for defense research and development in the 1983 budget, Chapter 1 420, increased by almost 10 percent compared to 1982--this was favorably commented on several times by WEHRTECHNIK. However, it was pointed out to the editors by defense research circles that the seemingly favorable rate of increase was due to considerably larger outlays for technological arms development and testing, technological development maintenance, and the development of TORNADO--and less due to increased spending for defense research, military medical research and the promotion of institutional research. For the latter, in 1983 only DM 205 million are to be spent of the total funds of Chapter 1 420, i.e., DM 1,824 million; thus the increase amounts to only 3.6 percent. In the promotion of DFVLR [German Research and Experimental Institute for Aeronautics and Astronautics], the Fraunhof Society, and the Research Society for Applied Natural Sciences, there is practically only zero growth--only the German-French Institute St Louis is better off.

The following table shows the breakdown of Chapter 1 420:

<u>Sector</u>	<u>Millions DM</u>			<u>Increase compared to '82</u>
	<u>'83</u>	<u>'82</u>	<u>'81</u>	
1. OR (Decision aids in Planning and Research Area)	53	50	47.46	6%
2. Defense development and testing, technical development maintenance, procurement of objects to be tested	1,030	900	903.49	14.4%
3. Development TORNADO, incl. technical development maintenance	450	437	310	3%
4. Development of sanitation and clothing supply	4.5	3.5	2.1	28.6%

Chapter 1 420 Cont'd

Sector	Millions DM			Increase compared to '82
	'83	'82	'81	
5. Development and testing of guidance systems	80	70	65	14.3%
6. Defense research not financed institutionally	50	46	50	8.7%
7. Military medical research	11	10.5	9.3	4.76%
8. DFVLR	56.2	56.159	54.136	2.05%
9. Fraunhof Society	32.8	32.75	32.675	0.2%
10. FGAN	31.1	31.09	30.236	0%
11. ISL St. Louis	24.5	21.9	19.991	11.9%
<hr/>				
Total, Items 6.-11	205.6	198.4	196.3	3.6%
Total, Chapter 1 420	1,823.6	1.659,72	1.525.1	9.87%

9917

CSO: 3620/383

## PAPER SEES NORDICS WORKING TO COOL SECURITY POLICY DEBATES

Helsinki HUFVUDSTADSBLADET in Swedish 7 Jun 83 p 2

[Editorial by Rafael Paro: "Nordic Boundary Lines"]

[Text] A dislike against allowing oneself to be provoked into overly far-reaching reevaluations of the existing security-political situation in the Nordic countries can be perceived behind certain boundary-lines by the Nordic countries in recent weeks, Rafael Paro writes.

A noticeable change has taken place in the security policy debate of the Nordic countries in recent weeks. Someone people might call it sobering up, others perhaps surrendering. In any case, the phenomenon itself is worth noting.

The discussion about the foreign submarines in Swedish waters seems to have reached a limit where those responsible in Sweden believe it is time to let up, or at least to catch their breath. Both Prime Minister Olof Palme and Foreign Minister Lennart Bodstrom have come forward with statements that stress, as do the remarks of President Koivisto, that the security-political situation has not changed because of the submarines in Swedish and Norwegian waters.

In an interview with Finnish television recently Bodstrom pointed out that the peoples of Sweden and Finland and their governments have reason to anticipate that the Nordic area is and will remain stable. We must convince the major powers of this as well, Bodstrom stressed. During his visit to Helsinki last week Palme viewed the submarine incidents as a burden to Sweden's relations with the Soviet Union, but he emphasized the desire for mutual understanding. "The security-political pattern in the Nordic countries continues to be stable. What is new is a naval element in the Baltic Sea, but in no way does this alter the stability," Palme stressed.

Something of a boundary-marking--this far but no further--can also be perceived in the decision by the Danish Parliament before the meeting of the NATO defense ministers in Brussels last week. A majority of Parliament was of the opinion that all preparations for stationing new weapons should be halted, that nuclear arms arsenals be frozen, British and French weapons be included

and that negotiations concerning intermediate-range weapons and strategic weapons should be combined. Parliament further charged the Danish government with the task of getting these viewpoints included in the communique to be issued by the NATO defense ministers after their meeting.

The communique received a Danish and a Greek footnote. The Danish one is worded as follows: "The Danish defense minister repeated that the Danish government supports the double-track decision, but at the same time he presented to his colleagues the decision taken by Parliament on 26 May." A general guess is that the Danish government would have fallen had it not in one way or another achieved the inclusion of a reference to the parliamentary decision in the NATO communique. It must be assumed that the Danish parliamentarians were scarcely flattered to hear that NATO's secretary general Josef Luns believed that Parliament's standpoint is "not of major importance" and that the importance attached to the parliamentary decision "is relatively insignificant."

The treatment awarded the Danish viewpoint in Brussels can with good reason be assumed to have increased the doubts of the Danes regarding the entire security-political development in their part of the world and their chances to defend their opinions in the greater context of military policy. The reprimand of the Danes, to keep quiet in the ranks, has rarely been more pronounced.

The boundary-marking to be noted in Norway concerns the discussion about Finland's defense policy which flared up in connection with U.S. Defense Minister Caspar Weinberger's visit to Norway at the end of last week. Presumably somewhat excited by the high-level U.S. visit, the chief of national defense in Troms, Colonel Asbjorn Laerheim, declared during Weinberger's trip around northern Norway that the defense of the area is planned on the basis, among others, of the possibility that the Soviet Union could attack Norway via northern Finland. The colonel had emphasized that if Soviet forces go through northern Finland without previous consultations with Finnish authorities, the Norwegians are convinced that Finland will resist. But he added that it is nearly impossible for Finland to halt a potential attack over Finnish territory.

It does not come as a complete surprise that the commander of the Norwegian defense forces, General Sven Hauge, found reason to state his complete conviction that Finland is doing everything it can to protect its neutrality and that in his opinion NATO is completely satisfied with Finland's defense policy. The Finnish defense efforts in the north are considered a major advantage to the military balance and detente in the Nordic countries. The general also stressed that people in the Soviet Union certainly understand the measures of defense policy instituted by the Finns, and he assumed that it is in the Soviet interest to have a strong Finnish defense. This has a very great stabilizing significance, Hauge emphasized.

In this connection it is really of minor importance that Norwegian Prime Minister Kare Willoch's security-political advisor Kjell Colding had time to reject Prime Minister Olof Palme's initiative in Helsinki regarding the Nordic

nuclear-free zone before Defense Minister Caspar Weinberger had time to do it on Norwegian soil. It was an already well-known standpoint that was repeated.

What might possibly be tracked down behind the boundary-markings last week by the Nordic countries is a dislike for allowing themselves to be provoked into overly far-reaching reevaluations of the existing security-political situation in the Nordic area. In Sweden it is beginning to be time to call off what many have found reason to call the submarine hysteria. The agony of the Danish Parliament due to the increasingly probable nuclear armament in the immediate vicinity of Denmark is easy to understand. The development in the field of nuclear weapons causes the position of all small nations in Europe, both in the East and the West, to become increasingly exposed. Where alliances and major strong allies previously seemed to provide safety and security, there are now risks of growing uncertainty and insecurity.

To Finland, Sweden, Norway and Denmark there has of old been an interest in living up to the roles which the Nordic balance has given them for historical reasons. No one should expect that any one of these countries will sacrifice its fundamental national interests. In their effort to adhere to these, they have, paradoxically, also been able to support each other in times when the policy of the major powers has made excessive encroachments on the Nordic solidarity.

11949

CSO: 3650/220

## DEFENSE MINISTRY ON FACA OFFSETS, PURCHASES

Madrid EL ALCAZAR in Spanish 11 Jun 83 p 12

[Article by A. Florensa]

[Text] The undersecretary of state for defense, Eduardo Serra, expressed optimism yesterday at a press conference on the subject of FACA [Future Combat and Attack Aircraft]. The press conference was held at the headquarters of the Spanish Air Force on Spain's industrial potentials in aeronautical equipment consequent on the purchase of the [McDonnell Douglas Hornet] F-18A planes.

According to Eduardo Serra, who was accompanied by top-level military officers in charge of the program and various civilian officials of the Ministry of Defense, "the production capacity of Spanish industry and its caliber will make it possible for us to secure desirable benefits from this purchase when other countries decide to acquire the Hornet."

Specifically, he mentioned that the Spanish ministry placed considerable weight on the fact that no European country owned this aircraft, which makes Spain the first "concessionnaire" of the plane in Europe, in contrast to the F-16, which other countries already have and which, for all intents and purposes, is built in Belgium.

The undersecretary of state for defense was more in favor of the manufacture of specific parts of the aircraft by Spanish industry than for the assembly of the F-18A at CASA [Harvester Suppliers, Inc.] (these were the two options which were available at the time of the offsets) "given that the parts of the plane that we produce cannot be manufactured by anyone else and will have to be purchased from Spain whereas our mere assembly operations would be limited to the 72 Spanish F-18A's."

Regarding the total number of F-18A's, Serra noted that at no time was the possibility of deciding, within 1 or 2 years, to increase the size of the presently reduced squadron discarded. "The final agreement specifies the purchase of 72 planes but also mentions the option of buying the other 12."



The undersecretary of state for defense evidenced optimism regarding the negotiations that could eventually take place with Canada for the maintenance of its two F-18A squadrons assigned to Europe as well as the aircraft of the [U.S.] Navy. Serra also indicated that Greece had requested documentation relating to the evolution of Spain's purchase. There is no doubt that if Greece should decide to buy the F-18A, this would also mean maintenance possibilities for Spanish industry.

"This Does Not Imply the End of Cooperation With Europe"

Regarding Spain's cooperation with Europe, Eduardo Serra mentioned his conviction that the purchase of the American aircraft would not imply a serious setback in Spain's relations with its European allies. He characterized the ACA [Agile Combat Aircraft], the European plane of the 1990's, as very controversial but stressed the current participation of Spanish technicians in the program. He announced that the difficulties flowing from the demands of each European country have mandated the creation of at least four ACA projects, but he explained that Spain's technicians would attend a meeting scheduled in Bonn this summer and that it was possible that more practical conclusions would be evident by then as a result.

In general, undersecretary Serra said that he shared the malaise of the Spanish Air Force because of the budget cut, but he indicated that there will be no gap in Spain's air defense, "particularly since the offsets include some improvements of planes in service whose operational life can be extended." He mentioned as an example the retrofitting of engines on the F-5 planes and the program involving the Spanish C-101 jet, a twin-engine aircraft more appropriate for tactical combat.

Additionally, Serra dispelled doubts on the possible use of the F-18A Hornets, giving assurances that no limits would be set regarding their use and that all the planning and preparation of these planes for combat would be effected in Spain.

The initial group of Spanish pilots will begin their training in the use of the Hornet shortly when 10 of them will be sent to the United States together with a large group of technicians and mechanics who will then train other crew members in Spain. By the time the planes arrive, the latter will have been trained already.

2662

CSO: 3548/448

## MORAN SHUNS NATO FINAL COMMUNIQUE, VOICES MADRID POSITION

Madrid DIARIO 16 in Spanish 11 Jun 83 p 6

[Article by Paris correspondent Juan Pedro Quinonero]

[Text] Fernando Moran [Spanish minister of foreign affairs] did not sign NATO's final communique at the conclusion of the Atlantic Council meeting, which closed yesterday in Paris. Moran rejected the idea that the referendum on Spain's joining the Atlantic Alliance could be held next year and asserted that Spain's entry into the European Economic Community has nothing to do with Spain's joining the military organization. The minister hinted that Spain's membership in the Atlantic Alliance would be contingent on Britain's return of Gibraltar to Spain.

Paris--NATO's "summit" Council meeting closed yesterday with a strong reaffirmation of the unity and determination of the Western allies regarding the historically crucial problem of the Euromissiles' installation. The Spanish participation in the discussions was relatively intense and seems to stress a process of "active passivity," "renegotiation behind the scenes," and "creative ambiguity" to redefine Spain's place in the defense of Western civilization.

That process promises to be extremely ambiguous, complex, sophisticated, and difficult. The press conference held by Spain's minister of foreign affairs, Fernando Moran, however, makes it possible to draw up a list of very concrete technical, military, strategic, political, domestic and international, issues even though they are ambiguous.

On its part, NATO is not urging Spain. Quite the opposite, it seems to support a "creative dialogue," very lively, in which technical aspects, strategic aspects, and purely political aspects play a role.

"Impasse"

In the wake of the presence of the Spanish minister of defense, Narcis Serra, in the planning committee in Brussels in the past few days, Minister of Foreign Affairs Fernando Moran, attending the NATO Council meeting, noted

a significant new step in that process. The minister said that, effectively, "we have participated more" in order to stress the "stepping up" of political exchanges in the organization.

Among the purely technical aspects of that dialogue, astride the more ambiguous shadows and the very brilliant light of the present, minister Fernando Moran mentioned an extremely important one: "Even before we took office there were difficulties between Spain and the organization connected with the command missions and functions." Minister Moran added: "There had been an 'impasse' even before we assumed power between Spain and the organization."

#### Temptation

Those technical difficulties are extremely sensitive: They represent the core of the purely technical problems regarding the place that Spain could assume in the defense of the European continent and the most immediate Western interests. Involved is the basic and essential issue to be analyzed at length by the committee studying the report that should serve as basis for the examination of the contingent revision of Spain's participation in NATO's integrated military organization following the present impasse."

On this issue, both the Spanish Government and the Atlantic Alliance maintain a veiled and muted dialogue, the problem having existed before the assumption of power by the PSOE [Spanish Socialist Workers Party]. In some manner, the problem, an extremely serious and complex one, involves a redefinition of the command structure within the integrated military organization. Indeed, there is a Portuguese-Spanish confrontation for supreme control in the defense of Atlantic routes. And for months now Lisbon has been issuing "alarm" and "warning" signals.

The strategic issue does not present major problems in the political and ideological field. Despite his denial, Minister Fernando Moran delivered at this NATO "summit" his most pro-Atlantic speech in his capacity as minister of foreign affairs, stressing the essential problems. "Spain is not tempted by any form of neutralism." "Spain is drawing all the consequences of its Western status, including defense." "In Moscow, before Andrey Gromyko, I stressed Spain's Western character, reasserting it energetically."

The political issue involves a decisive conclusion. Fernando Moran made it known before the NATO Council that Spain cannot accept the presence of a colonial enclave on its territory. Additionally, Fernando Moran indicated that Spain's membership in NATO may be rejected as long as Britain does not agree to return Gibraltar. Involved is one of the decisive conclusions in the tedious, difficult, ambiguous, and extremely sophisticated diplomatic process relating to Spain's present position in NATO, astride of independence and solidarity, solidarity and independence.

## Ambiguity

Such a minimal list of problems and "issues" of political, technical, and strategic discussion of bilateral and multilateral character nevertheless creates domestic and international ambiguities whose significance can be ascertained only with the passing of the years. These ambiguities, which are not exhaustive, could be cleared up as follows: Fernando Moran rejected the idea that Spain's referendum regarding its entry into NATO could be held during 1983-84. Neither is it obvious, as he said, that this year would be "appropriate."

## Efforts

Fernando Moran asserted that Spain's membership in the EEC and its membership or otherwise in NATO's military organization "are completely unconnected." However, he subsequently added that "it would not be prudent to ask Spaniards to make a certain type of effort while closing specific doors to them."

Fernando Moran asserted that "Spain has not supported as energetically the installation of the Euromissiles as the Atlantic Council's final communique." But on being reminded that Prime Minister Felipe Gonzalez had backed the installation of the Euromissiles on his visit to Bonn, the minister of foreign affairs retorted very sharply: "You people should read beyond the headlines in the press...I must tell you that the prime minister did not express his support. Rather, the prime minister limited himself exclusively to stressing his understanding of the issue...."

If one were to make a detailed analysis he would find that these three problems--Gibraltar, NATO-EEC, and the Euromissiles--represent the three decisive issues for Spain's future and affect the bases of its sovereignty, its economic future, and its strategic-military identity in a historic year for the future of Western civilization, as the final NATO Council communique ended up stressing.

2662

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## NAVAL COMMANDER SAYS FLEET IN CRISIS DUE TO FUNDS CUTS

Stockholm SVENSKA DAGBLADET in Swedish 29 May 83 p 9

[Article by Sune Olofsson: "Navy Sounds the Alarm; Economic Crisis Acute"]

[Text] "The Navy finds itself in an acute economic crisis. We have now reached a sensitive limit and we are at the lowest point." Claes Tornberg, chief of the Navy Staff planning section, is now sounding the alarm.

And he does so with the full knowledge that the Navy has cried for money before.

"I may shortly be forced to cancel contracts for extremely necessary defense materiel. We are considering a cutback in the refresher training courses and furthermore we are facing a measure which is unique in the history of the Navy of being forced to dismiss 200 persons at the KA 4 regiment in Goteborg."

"This is taking place at a time when the Swedish people expects great achievements from the Navy."

Has to Save

The conditions imposed on the defense forces by the government for the coming 5-year period imply that the Navy has to save half a billion Kronor, 100 million a year. At the same time materiel is becoming more expensive due to, among other things, the high dollar exchange rate and continued inflation, reduced price control measures and the effects of the devaluation.

"I am counting and counting and becoming increasingly worried," Claes Tornberg says. "It is twice as difficult to be forced to realize that it is not enough just to save materiel but now the personnel is also threatened."

A week ago Navy Chief Per Rudberg received new financial directives from the Supreme Commander and from the government. The directives immediately resulted in crisis meetings within the Navy. Per Rudberg saw himself forced to choose between a total halt to ordering or in practice a disbanding of KA 4 in Goteborg.

"I choose the disbanding of KA 4, since in the long run this is the least damaging to the Navy," Per Rudberg said.

#### Mutilated Submarines

As an example Claes Tornberg mentions that the defense forces have four submarines in production. New torpedoes are to be manufactured for them.

"It cannot be excluded that manufacture of the torpedoes will have to be postponed. This will result in the development of mutilated submarines, to the detriment of the coastal defense."

Claes Tornberg regards the extra appropriation of 250 million for submarine protection decided on by the government as "a spit in the sea."

"The decision does not mean that we will get an efficient submarine defense within a reasonable period."

#### Tough Time

Supreme Commander Lennart Ljung has not yet made a firm decision as to how to distribute the money between the branches of the military.

"But he rarely changes his mind once the directives have been issued. The Navy will have a tough time from now on," Claes Tornberg states.

Sweden's Once so Proud Fleet Is Just Shrinking....

Sweden once had 27 destroyers, seven armored vessels, six frigates and two cruisers. All of them--except for two destroyers in moth balls--have been scrapped. The number of minesweepers has dropped from 42 to 16, the submarines from 26 to 12 and the patrol boats from 42 to 34.

In 1945 the proud Swedish fleet had the use of 142 naval vessels of various categories as well as 200 smaller auxiliary ships. In 1970 the figures had dropped to 117 units. In 1985 it will be down to 65.

Is the Navy going to die?

Sweden has been a living maritime nation since time immemorial.

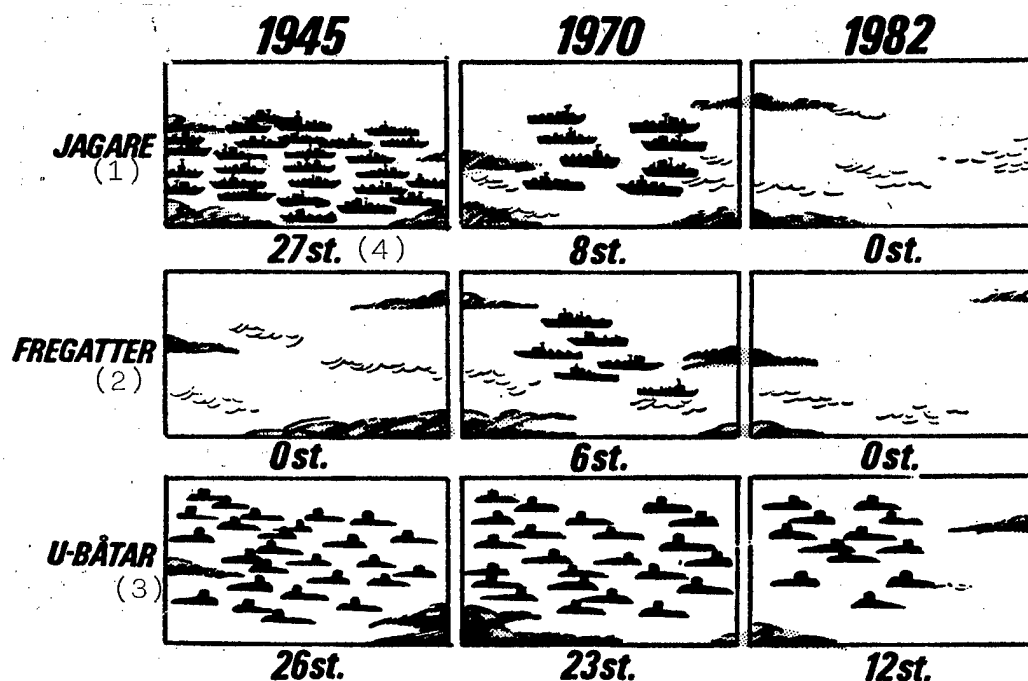
The coastline has not become shorter. It is still 2,700 kilometers and just as long to defend. Furthermore, in July 1979 the Swedish territorial limit at sea was extended from 4 nautical miles to 12. Suddenly the Navy had three times more surface to guard.

The resources stayed at the same level, however.

The Navy is shrinking at a time when the Baltic Sea is changing from a sea of peace to a sea of unrest. The U 137 incident and the repeated violations

indicate that the Warsaw Pact obviously regards Swedish territory as a practice and intelligence area.

The Soviet Union has built the world's strongest naval base--Murmansk--350 kilometers from the Swedish land border. Two-thirds of the entire Soviet fleet are stationed there. Important submarine ports are located about 20 miles from Gotland--along the Baltic coast.



Sweden once had a proud fleet of destroyers, frigates and many submarines. The Navy is shrinking drastically. In 1945 the Navy had access to 142 warships. In 1985 the figures had dropped to 65.

Key: 1. destroyers                      3. submarines  
      2. frigates                        4. units

Experts on security policy are of the opinion that the Nordic countries and the Baltic Sea have gained in strategic importance during the last decade.

Swedish imports and exports are largely dependent on sea transportation. Nearly 50 percent of the shipping to and from Sweden takes place by sea.

In wartime the sea could become Sweden's only roadway. The sea can never be destroyed with weapons. Therefore, the Navy's defense strategists believe, it

is of vital importance to a maritime nation such as Sweden to acquire control over the sea in times of crisis.

Nevertheless, the Navy's slice of the pie has become increasingly smaller.

Now the Navy is seething--from the Navy chief to the lowest ranks.

"The Navy needs to set a new course," says Commander Herman Faltstrom, chief of the Navy Staff's study section working on long-range planning for submarine defense, among other things.

#### Navy Forgotten

Herman Faltstrom says that strategic mistakes were made in the defense planning of the 1960's.

"At the end of the 1950's, in connection with the 1958 defense decision, the debate about a modern Swedish fighter aircraft was going on. The Navy was forgotten. It was decided that the Baltic Sea was too small for large strike-force ships of the destroyer, cruiser and frigate type."

"The defense plans did not anticipate the need for endurance in submarine hunting represented by destroyers and frigates, for example."

The 1960's were characterized by detente. The major powers were considered to have a joint interest in avoiding direct confrontation.

The submarine commission stated that before the 1968 defense decision "analyses of the quantitative need for submarine hunting were missing from the defense minister's accounting."

#### Rapid Cutbacks

"We concentrated on smaller ship units with modern electronic equipment," says Eric Holmqvist (Social Democrat), defense minister during 1966-68. "At that time taking that route was obvious. The heavy, unwieldy destroyers and cruisers with lots of people aboard quickly became oldfashioned."

The 1972 defense decision was marked by expectations that the existing climate of detente would remain.

"A certain naivete characterized the debate," Herman Faltstrom says.

At that time the Navy had 19 destroyers and six frigates.

Now the successive cutbacks took place rapidly.

"Everyone was talking about 'peaceful development.' It did not even enter the thinking that relations between civilized nations could result in the kind of impertinent violations we have been subjected to," Herman Faltstrom says.



The few violations that occurred were interpreted as mistakes and errors in navigation. It was thought that the potential task of countering foreign submarines could be fulfilled by helicopters equipped for submarine hunting in combination with light surface vessels. But helicopters have poor endurance.

"It is a fact that the need to detect and rapidly intervene against violating, foreign submarines in peacetime was never commented on before 1980 by defense studies and defense decisions," Herman Faltstrom states.

#### Frigates

Not until the 1982 defense decision did submarine resources achieve current importance, but even then to a modest extent, Faltstrom thinks.

He is convinced that if the Navy today had the opportunity to hunt submarines with the support of ships, the opportunities for success would also be greater.

"It is like that in the defense forces, that availability automatically results in training and thus in competence, knowledge and capability. I believe that modernized destroyers and frigates would have helped us considerably, primarily as regards endurance.

Herman Faltstrom says that in the debate about international law and violations there is usually talk about "objective and subjective incapability."

"The rest of the world expects Sweden to have the capability; we do not have the right deliberately to treat our defense planning so that shortcomings occur."

One source within the Navy Staff tells SVENSKA DAGBLADET:

"To dramatize things, the situation is such that the Navy is at war, while the rest of Sweden enjoys peace. We performed acts of war on Swedish territory against violators and we failed in our duty. This cannot be allowed to go on."

"The personnel is willing but not capable of it."

11949

CSO: 3650/214

## SAAB-SCANIA AVIATION CHIEF LOOKING TOWARD INTERNATIONAL TIES

Stockholm DAGENS NYHETER in Swedish 4Jun 83 p 24

[Article by Erik Liden: "New Chief of Saab-Scania Aircraft Division: JAS and Fairchild Basis for Development Work"]

[Text] Paris--The aircraft division of Saab-Scania in Linkoping has a positive outlook on expanded international cooperation in the future, as regards both military and civilian aircraft production.

The newly appointed head of the aircraft division, Harald Schroder, who is also the managing director of the JAS industry group, expects the Fairchild cooperation on SF340 and the contract for the new fighter aircraft JAS/Gripen to form a basis for the development work over the next 10 years.

"From having manufactured almost nothing but military aircraft, the target around 1990 is for half of the production of the aircraft division to be civilian. The subdeliveries to DC9-80 and the English BAe146 are valuable, as is our own capability for construction and marketing of the SF340, a feeder aircraft which we are the first in the world to introduce. I think it is good to have sold 90 SF340's before the plane is even airborne. At this time the test aircraft needs the approval of the authorities before issuing a certificate for passenger flight."

"If we succeed with the SF340, a stretched version of this plane is obvious and in the future perhaps also a larger passenger aircraft."

## Necessary Cooperation

"As long as the airlines are interested, we can manufacture the aircraft. Continued production of parts for the DC9 and perhaps also for the Air Bus are interesting projects," Harald Schroder says.

"International cooperation is not an ugly word; on the contrary, it is a necessity for Swedish industry. This is why we engage many international specialized firms to make partial systems for JAS/Gripen. We have looked for specialists all over the world, since these companies do not exist in Sweden."

As an example Harald Schroder mentions the ejection seat in JAS, which has now been bought from Martin Baker in England, which produces 100 seats a month in their various factories.

"We will buy 20 seats annually for JAS/Gripen, and then there is no possibility to do this in an economically sensible way in Sweden, as Saab did for Draken and Viggen. Furthermore, in the contract with Martin Baker we were guaranteed technical support for precisely the seats in Draken and Viggen, which is very important to us and the Air Force in the future.

#### Important Agreements

Harald Schroder stresses that the international agreements for various subdeliveries are important now that the final construction of JAS/Gripen will be initiated. First now do the technicians know exactly what the aircraft will look like.

"It is much too early to speculate about the potential export possibilities of JAS/Gripen. The future must provide the answer."

#### Test Aircraft in 1987

There is also an ongoing discussion as to whether JAS/Gripen needs two-seater training aircraft, which was considered obvious when Draken and Viggen were delivered. At that time 25 two-seaters of each type were manufactured, but modern aircraft simulators are the reason why the Air Force is seriously considering training the pilots directly in the fighter aircraft after 1992, when serial production of JAS/Gripen will begin.

The test aircraft will be delivered in 1987 and will number five, as compared to six for Viggen. The JAS engine F404 from General Electric in the United States, which will be produced by Volvo Aircraft Engine in Trollhattan, has now also been chosen by the French as a test engine for the new ACX project shown in a model at the Paris Air Show.

11949

CSO: 3650/214

## POLITICAL SCIENTIST: SOVIET UNION SABOTAGING NEUTRAL POLICY

Stockholm SVENSKA DAGBLADET in Swedish 1 Jun 83 p 3

[Op-ed commentary by Kjell Goldmann, professor of political science at Stockholm University: "International Policy Expert on Submarine Violations and Sweden's Security; Will Neutrality Policy Become Impossible?"]

[Text] Sweden will be forced to join NATO--this reaction to the submarine violations is tremendously exaggerated. At the same time it is inevitable that the violations bring up the issue of the future continuation of the neutrality policy.

The Submarine Commission has brought this up. It indicates the possibility that "the fundamentals of the Swedish security and neutrality policy" are being undermined. It observes that the violations "constitute a threat and a challenge to the credibility" of this policy. In words which are sharper than those of the Submarine Commission: Is the neutrality policy in danger of failing?

## Threat Against the Security System of Europe

We want to convince both sides, East and West, that Sweden will not join one side in a war against the other. But also: Both should be able to rest assured that the main adversary will be deterred from, and would fail in, an attack on Sweden. The achievement of that is the foremost objective of the peacetime neutrality policy.

If we succeed, we consider that we have reasonable chances of staying out of a war. We will also, and for good reasons, have seen a successful Swedish neutrality policy as a contribution to peace in Europe. The last point is important: The submarine violations indicate a threat not only against Sweden but against the fragile European security system.

What we have been reminded of is the possibility that one of the sides is in fact planning to draw Sweden into the war. It looks as if our intentions to stay out are not trusted, or as if they are distrusted. We have also realized that in certain respects our military resources are insufficient to support the neutrality policy. And we have been forced to contemplate what conclusions the other side could draw from the unfolding of events.

### Three Alternatives

In the face of these disturbing signals, it is necessary to contemplate the future chances and form of the neutrality policy. In principle we have three alternatives of action: to arm, to abandon the attempts to deter the Soviet Union and to cooperate in some form with the West.

Arming is what has primarily been discussed after the submarine violations. If we can restore strength to the neutrality policy by these means, this solution is superior to others, both to Sweden and to peace in Europe.

But can we? No one could say precisely what is needed; improved antisubmarine warfare is probably not enough. What is well-known, however, is the economic situation. The debate about whether the extra antisubmarine millions are to be taken from outside or inside the "framework" has indicated the level of what is possible today.

### Impossible Neutrality Policy.

In the long range there is also another problem. A more extensive reinforcement of our deterrent capability could increase our dependence on weapons from the West. The foreign component of JAS [Fighter-Strike-Reconnaissance aircraft] has been sufficient for JAS to attract criticism, even from the Soviets, as being questionable from the aspect of neutrality policy.

The problem is real. The credibility of the neutrality policy is probably affected by the origin of the weapons. It is conceivable that a neutrality policy of the 1950's type--freedom from alliances supported by a defense which is strong and simultaneously independent on all essential points--is becoming impossible. Not probable, but conceivable.

In that case the second principal alternative enters the picture: giving up a portion of the goal of the neutrality policy and accepting what it means to find oneself within the sphere of interest of a superpower. In a mild form this strategy consists of passive acceptance of continued violations; we would simply tolerate that Swedish waters will become part of the operational area of a foreign navy.

But we could go further and consider reducing, instead of increasing, our ambitions regarding deterrence and defense, with the motivation that they are not needed or are not realistic.

### Relief Action for Sweden

I do not know of any genuine analysis of the meaning of this. One consequence seems hard to avoid, however: countermoves on the part of NATO. Such an intensification of the confrontation in the Nordic countries would not benefit peace in Europe. Like most other people, I am sceptical of policies of this kind, but the idea does have its proponents in the debate.

What remains is cooperation with the West, an alternative that has never been discussed, however. It does not need to be a question of application for membership in NATO. No responsible person is likely to consider anything like that; the idea has to be completely unrealistic.

But cooperation with the West is a scale of many degrees. A dramatic variant, quite close to joining NATO, would be concrete preparations for Western participation in the defense of Sweden. A more cautious variant, brought up in Swedish debate a few decades ago, would be negotiations concerning how a relief action to Sweden would be organized. Or one could be satisfied with an agreement with NATO, or with individual NATO countries, for consultations in the event an attack threatens.

#### Limited Departure

The latter is perhaps the most far-reaching alternative for which we have reason to weigh the pros and cons. It would be a question of a rather limited departure from our traditional policy. The Finnish-Soviet friendship and assistance pact means precisely, that if need be the partners should resume consultations about the defense of Finland.

For decades the Finns have maintained that the Friendship, Cooperation and Mutual Assistance Pact is compatible with the status as a neutral nation. As time went by this approach became rather generally accepted. Some kind of Swedish friendship and assistance pact with the West could be similarly viewed as a change in, and not as an abandonment of, the neutrality policy.

What might be gained by such an arrangement would be that Soviet actions against Sweden could become somewhat more risky and therefore somewhat less likely. The high price could be intensification of the conflicts of the major powers in the Nordic area. As I said, it is far better if we can manage alone in the future as well.

#### Forced Into a Corner

However, the question which must be asked is whether the development is not in the process of forcing us into a corner. The submarine violations indicate that we may gradually stand there without any favorable alternatives for action. It seems to be getting more difficult to contribute to peace in the Nordic area and Europe with a sufficiently strongly defended neutrality policy, respected by all and completely credible. We can increasingly less afford such a policy. The technological development is undermining it. The Soviet Union is sabotaging it.

It is by underscoring the seriousness of the situation and the degree of difficulty of the problems that the submarine violations have affected the conditions for a Swedish security policy. Will the economic and technological preconditions for a neutrality policy of the present type exist from now on?

Or will we in the end be forced to choose between two impossible alternatives: adjustment to the Soviet interest or security-political cooperation with the

West? In that event, what would an adjustment policy imply in detail? Would we be able to live with it? On the other hand, what would be the advantages and disadvantages of cautious cooperation with the West?

#### Pointed Out as Village Idiots

These are the questions we are now forced to put to ourselves. This cannot make anyone happy, least of all someone who is worried about peace and security in Europe.

If one dislikes these gloomy speculations, one probably condemns them as figments of imagination from the academic ivory tower. Two Finnish professors of political science, who recently expressed unusual opinions on security policy, were exposed to veritable persecution campaigns in Finland and were almost pointed out as village idiots.

In Sweden professors are not quite that important, but I still want to emphasize that I do not propose any change at all in the neutrality policy, only a searching discussion of the long-range problems. Such a discussion is desirable for two reasons.

#### Improve Our Preparedness

First and foremost we need to improve our preparedness for changes in security policy. When a line of political action has become so firmly rooted and has been followed for as long as the neutrality policy, reevaluations can become too painful. Rational adjustment to new conditions become difficult. There is risk of blindly continuing as before, although the conditions have changed. Perhaps it ends with a shock-like awakening and unpremeditated overreaction. Continuous discussion is better.

The arguments against such a discussion are, of course, that it could undermine the credibility of the policy. This is an unavoidable dilemma. That is precisely why we at the universities have a duty, we who do not represent anything more than ourselves. Societies can make use of their ivory towers.

One more aspect of this: One of the suspicions aroused by the submarine violations is that Swedish foreign policy has become overly credible in one respect. The Soviet Union seems to take for granted that the traditional freedom from alliances is firmly entrenched, no matter what provocations we are exposed to. In that case it could not hurt to have a discussion which makes completely clear to Moscow just what it has touched on.

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MILITARY

SWEDEN

STATE ARMS MANUFACTURER IN COOPERATIVE VENTURES ABROAD

Stockholm SVENSKA DAGBLADET in Swedish 29 May 83 p 6

[Article by Erik Liden: "FFV a Comet in the Industry"]

[Text] Paris--The United Factories, FFV, in Eskilstuna is coming up as the big comet of the Swedish weapons industry. Orders worth billions and cooperation agreements will be signed over the next year with Switzerland, the United States and the Swedish defense forces.

Even before midsummer the Swedish government will give the all-clear signal for a production start of the new automatic carbine, ak5, which in the long run will replace the machine gun and the ak4 in Swedish defense. The ak5 will be manufactured under license after delivery of the first 5,000 carbines in 1984 from the factory in Belgium. To FFV the order is worth 1.2 billion Kronor including the production of ammunition.

Employment in Eskilstuna at the gun factory, the Vannas works and ammunition, will be guaranteed up to 1995.

Improved Protection

Five hundred thousand carbines will be manufactured in order to provide better protection for conscripts in the future; 5.56 millimeter ammunition in 30-shot magazines with a higher rate of fire and better penetration than the present weapons have long been demanded by the Swedish Army.

In a few weeks FFV also expects favorable information regarding the future antitank system of the U.S. Army. FFV has had preliminary information about an order for the AT4 close-range antitank system for at least 600 million Kronor. The Swedish defense is expected to follow suit with an order of the same magnitude.

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## POLL INDICATES GREATER DEFENSE WILL, SUPPORT FOR FORCES

Stockholm SVENSKA DAGBLADET in Swedish 4 Jun 83 p 2

[Text] For a number of years the National Psychological Defense Planning Committee has measured the Swedish people's defense will, confidence in the peacekeeping ability of the defense forces, the attitude toward Swedish disarmament and the two super powers.

The opinion poll, this time conducted by SIFO [Swedish Institute for Public Opinion Polls] from 4-10 May, but on other occasions carried out by other public opinion institutes, provides a very good picture of the views of the Swedish people on the important--and increasingly important--questions of security policy.

One compilation of figures gives the best foundation for individual evaluation of the position of the Swedish people on the current issues.

If one were to sum up the result already at the beginning, one could quote the then Prime Minister Per Albin Hansson's words at the outbreak of war in 1939:

"Our preparedness is good."

Under today's conditions, do you believe we should have a defense? (V = spring, H = fall)

	Yes	No	Don't know
1979 H	7	10	3
1980 V	86	11	3
1981 V	90	7	3
1982 V	91	8	2
1983 V	95	3	1

There is no doubt that the submarine violations --U 137 in Oct/Nov 1981, Harsfjarden in Sep/Oct 1982 and the Sundsvall incidents in May 1983--mean that even more Swedes have become convinced that a military defense is necessary as a part of the security policy, of which foreign policy is another cornerstone.

Do you believe that our defense increases our chances of staying out of a potential war?

	Yes	No	Don't Know
1974	55	41	5
1975	43	49	7
1977	31	61	7
1978	31	61	7
1979	50	46	4
1980 V	45	49	6
1981 V	54	44	2
1982 V	52	43	4
1983 V	60	37	3

The development is clear-cut, even after the annual fall figures are included which here are left out for reasons of space: After a sharp decline in the confidence in the capability of the defense to deter war, the development has clearly changed direction during the latter part of the 1970's and the beginning of the 1980's.

According to university lecturer Kurt Tornqvist at the Defense Planning Committee, some interesting differences are present between various groups. Confidence in the capability of the defense to deter war is thus obviously greater among men, 70 percent, than among women, 49. Further, those under 30 have distinctly greater confidence in the peacekeeping ability of the defense forces, 65 percent, than do those between 30 and 50, 53-56 percent.

Assume that Sweden is attacked; do you then believe that we should offer armed resistance, even if the outcome seems uncertain for us?

	Yes	No	Don't Know
1952	79	6	15
1957	84	9	7
1963	71	13	16
1966	75	10	15
1969	75	14	10
1972	73	15	12
1975	75	14	11
1978	68	16	16
1980 V	72	13	15
1981 V	79	10	10
1982 V	78	11	11
1983 V	81	12	7

Do you believe that in today's situation our defense has too little strength, too great or about the right strength?

	Too great	About right	Too little
1963	8	57	12
1967	9	55	16

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(continued from previous page)

	Too great	About right	Too little
1971	9	61	15
1974	9	62	17
1977	9	50	20
1980 U	6	53	22
1981 U	5	52	31
1982 U	8	49	29
1983 U	6	43	46

The turnaround in attitude is pronounced in this area as well.

Should Sweden disarm?

Only if other countries do so, reply two out of three Swedes, no, never, reply more than 10 percent and about the same number favor disarmament alone.

Footnote: In cases where the percentages do not add up to 100, there are persons with don't know/different answers or no answers at all. Yes and no in the two initial tables include the answers "Yes, absolutely or probably," and "No, absolutely not or probably not."

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## BRIEFS

ESA SATELLITE IMPORTANT FOR SWEDEN--Thursday was an important day for Europe's and Sweden's future in the space age. The European rocket Ariane was shot out into space on that date. Investments by Swedish industry and tax money are at risk, as is the development of telecommunications. The rocket is important for transmission of TV to Sweden. The Telecommunications Administration has constructed a special receiving station south of Stockholm to receive and send 20,000 telephone conversations and 2 TV channels for cable TV. This investment alone is worth 60 million kronor. But that is a small sum compared with the cost of the Ariane with a cargo of two satellites, considerably over 500 million kronor. The European Space Agency (ESA) with 20 member countries in Europe has invested money in Ariane. Most of it is paid for by France. West Germany pays 20 percent, while other countries, including Sweden, pay the remaining 30 percent. The Ariane project costs vast amounts, as shown by Sweden's small share for the budget year 82/83 being 127 million kronor. Sweden's payments to ESA have resulted in several important industrial orders to Swedish industry, both for the rocket Ariane and for satellites. The totally Swedish-built satellite Viking is, according to plans, ready for firing into space next year. Then the first blue and yellow "moon" will float in space. It will investigate different phenomena in the earth's polar regions in connection with the aurora borealis and the aurora australis, among other things. Saab built the Viking. The company is in on the Ariane through supplying a computer onboard which controls the rocket's path into space. Volvo participated by making the motors for Ariane's two first stages. Ariane is a three-stage rocket propelled by liquid oxygen and hydrogen. (TIDNINGARNAS TELEGRAMBYRA) [Excerpts] [Stockholm SVENSKA DAGBLADET in Swedish 16 Jun 83 p 6] 9287

CSO: 3650/230

## AGREEMENT REACHED WITH EC ON NORTH SEA FISHING QUOTAS

Stockholm DAGENS NYHETER in Swedish 8 Jun 83 p 8

[Text] On Tuesday, Swedish herring fishermen were granted permission by EC to move into the North Sea and fish their quota of 700 tons.

The EC decision came after the diplomatic steps that were taken by the Swedish government in Brussels. But the fishermen must first visit a Swedish port in order to obtain their licenses.

The herring fishing fleet, 13 in all, is already at sea, but now will be forced to come into port.

"EC will not accept having the boats fish in the North Sea without having the licenses onboard," said department chief Anders Hagberg of the Board of Fisheries.

General director Lennart Hannertz suspects that there is some diplomatic finesse behind the EC action, since negotiations with Norway are currently under way.

"It is easy to understand the fishermen's irritation," said Hannertz. "Prices are highest in the beginning and decline later on."

Sweden reached an agreement with EC on fishing in the North Sea back on 14 January. Despite this, the Swedish fishermen have had to wait in vain to enter the eastern part of the North Sea at the same time as the EC fishermen.

## Protest

The chairman of Sweden's National League of Fishermen, Jens Eriksson, protested in a telegram to the Swedish government, which led to the diplomatic move.

EC's announcement Tuesday meant that within a few days fishermen can get their licenses and start fishing. Normally it takes a few weeks to catch the 700-ton quota.

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END